

AR56

Winspear Business Reference Room  
University of Alberta  
1-16 Business Building  
Edmonton, Alberta T6G 2P6

# Stantec Inc.

## 1998 Annual Report

*Improving the Quality of Life in the world around us*



---

# Stantec





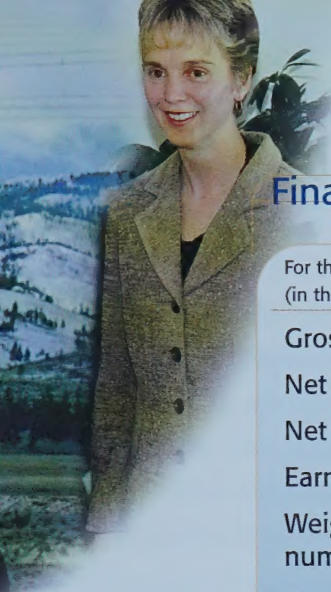
**S**tantec. Improving the Quality of Life in the world around us through innovative, value-added design and project delivery in engineering, architecture, and related professional services to private and public sector clients, across North America and internationally. Services are offered by more than 2,000 employees, operating out of 40 locations. Stantec shares are traded on the Toronto Stock Exchange under the symbol STN.

Visit the Stantec website at [www.stantec.com](http://www.stantec.com).

## Table of Contents

Financial Highlights	1
Message to Shareholders	2
Operations	5
Management's Discussion & Analysis	32
Management Report	39
Auditors' Report	40
Consolidated Financial Statements	41
Board of Directors/Officers	51
Shareholder Information	51
Five-Year Summary	52
Principal Offices	Inside Back Cover





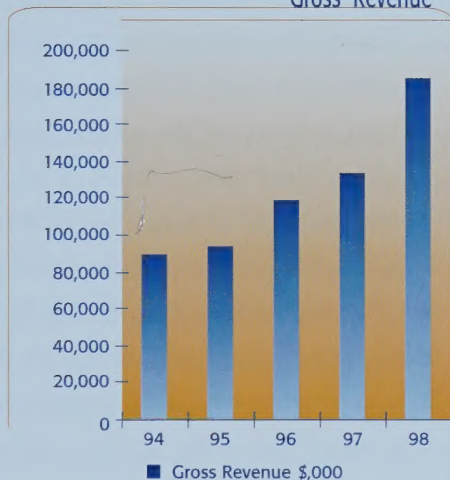
## Financial Highlights

For the year ended December 31  
(in thousands of dollars, except per share amounts)

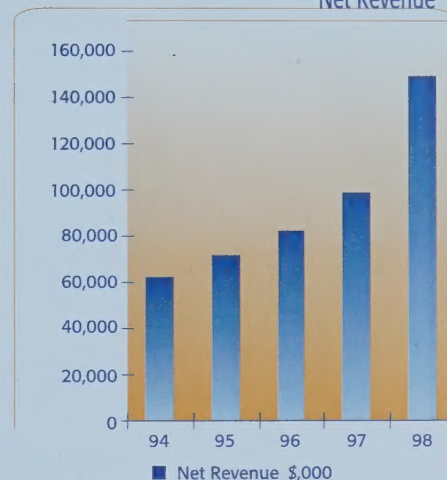
	1998	1997*
Gross revenue	\$ 185,511	\$ 133,565
Net revenue	\$ 148,943	\$ 98,458
Net income	\$ 7,185	\$ 5,619
Earnings per share	\$ 0.99	\$ 0.91
Weighted average number of shares outstanding	7,229,977	6,149,629
Net cash position	\$ 6,071	\$ 7,613
Shareholders' equity	\$ 55,783	\$ 49,046

\*Comparative results have been restated to reflect changes in accounting policy as explained in Note 1 to the Consolidated Financial Statements.

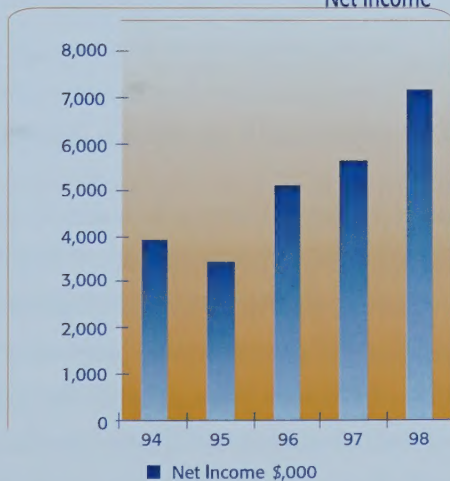
Gross Revenue



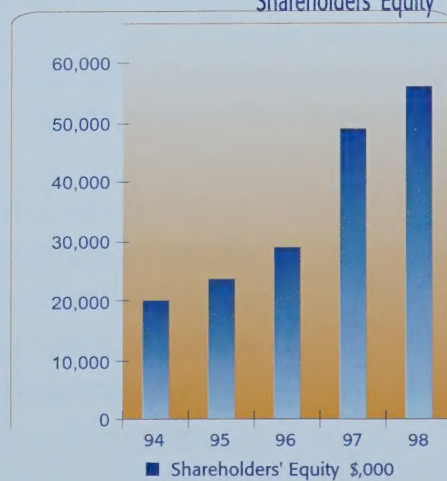
Net Revenue



Net Income



Shareholders' Equity



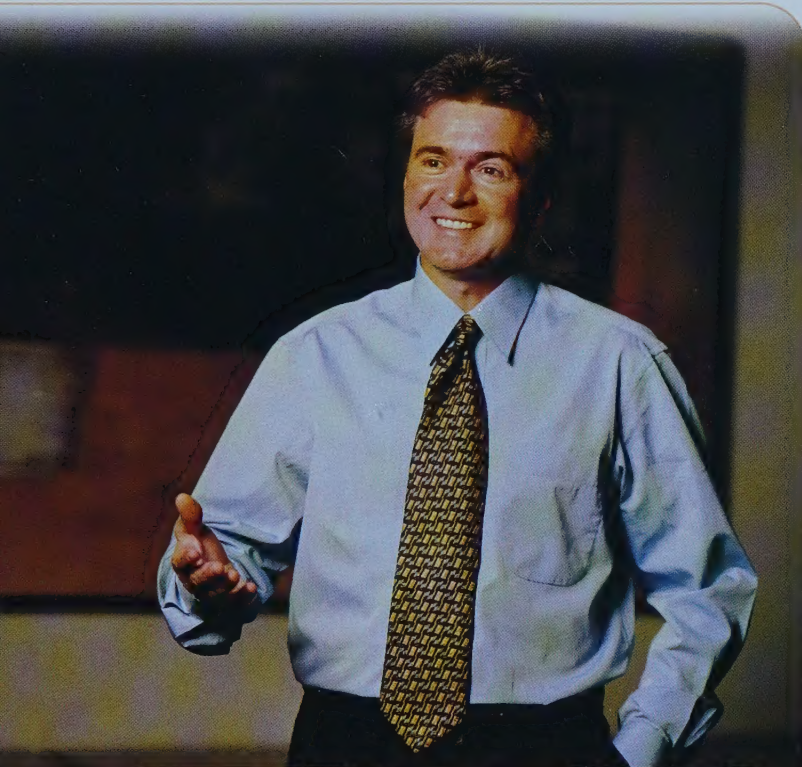


## Message to Shareholders

**I**t is my pleasure to present my first annual message as President & CEO of Stantec, and I am proud to do so with the announcement that we are continuing in our established tradition of achieving consistent, profitable growth. As we embark upon 1999, we do so with an exemplary 45-year record of uninterrupted profitability—an excellent performance made possible primarily through the efforts of our people, our most important resource. I feel privileged to lead a team of people, who regardless of position or title are committed to achieving outstanding results. In 1998, gross revenue increased 38.9% to \$185.5 million from \$133.6 million in 1997 and net revenue increased 51.3% to \$148.9 million from

\$98.5 million in 1997. Acquisitions completed in 1998 and 1997 contributed substantially to these increases in revenue, confirming the value of the Company's acquisition program. Net income increased 27.9% to \$7.2 million from \$5.6 million in 1997, and earnings per share increased to \$0.99 compared to \$0.91 in 1997.

During the past year, we continued our evolution toward the new consulting services enterprise for the next millennium. We adopted Stantec as the single, global brand identity for all of our consulting services. We continued to pursue consolidation in our industry by successfully completing a total of nine acquisitions, each of which has been integrated at both the regional and market segment levels. When our employee numbers topped 2,000, effectively fulfilling our goal of reaching 2,000 people by the year 2000 well ahead of schedule, we made important strides in pursuing our goal to rank among the top 10 global design firms. Finally, we continued with the implementation of new information management systems to improve productivity, strengthened our management team, and took bold steps toward a significantly expanded service base.



**Tony Franceschini P. Eng.**

**President & CEO**

*As we begin a year which will lead us into the new millennium, Stantec is at its strongest in a 45-year history—well-positioned to take advantage of the many opportunities that lie ahead*

Operationally, we continued with a consolidation of regional services to realize increased efficiencies, reducing our regions of operation to four—Canada West, Canada Central, US Southwest, and International—each at different levels of development relative to size and market share. Canada West represents the model for a mature region, with the other regions steadily progressing toward a comparable goal. As regions mature, we are able to add areas of expertise to complement and augment existing capabilities. During 1998, we targeted Canada West to diversify services by concluding a number of strategic architectural acquisitions. When Barry Johns Architects (Edmonton) and WSAG Architects



(Calgary/Vancouver) were added, the result represented a major milestone, since it positioned the Company as one of the top tier Canadian engineering and architectural firms. The subsequent acquisition of Laird Polson (Calgary) added further to architectural services and largely strengthened Facilities Management expertise. Canada West also saw two acquisitions in the geomatics area—Walker Consulting Group (Edmonton) and Loeppky & Associates Surveyors (Calgary), both of which have significantly enhanced Urban Land.

Canada Central experienced further expansion with three new Ontario acquisitions—CC Parker Consultants (Hamilton/London), LaFontaine, Cowie, Buratto & Associates (Windsor/London), and Goodfellow Consultants/Goodfellow Technologies (Mississauga). When combined with internal growth,

*We achieved a 45-year record of uninterrupted profitability—an excellent performance made possible primarily through the efforts of our most important resource...our people*

this development brought our central Canadian employee numbers to 600 and solidified our position among that region's leading firms. The US Southwest grew through the addition of Kaminski-Hubbard Engineering (Phoenix), which strengthened services in Transportation and contributed to a new Southwest employee total of 300, prompting *Arizona Business Magazine* to name Stantec as the Number 1 Engineering Firm in Arizona for the second consecutive year.

Awards continued to accumulate for one of our flagship projects, the Confederation Bridge—co-designed by Stantec for Strait Crossing Inc.—including the 1998 Schreyer Award by the Association of Consulting Engineers of Canada (Ottawa) and the 1998 Grand Award by the American Consulting Engineers Council (Washington). The Confederation Bridge was also recently designated one of the top five engineering achievements of the 20th century by the Canadian Council of Professional Engineers (Ottawa), an honor which is shared with other historic accomplishments such as the Pacemaker, the Transcontinental Railway, the Imax system of motion picture photography and projection, and the Space Shuttle Canadarm.

Significantly, this was a year in which we transitioned key leadership roles. Following 15 years of service as President and CEO, Ron Triffo became Chairman of the Board. I am pleased that Ron, who has been

*Net income increased 27.9% to \$7.2 million from \$5.6 million in 1997, and earnings per share increased to \$0.99 compared to \$0.91 in 1997*

a mentor and friend for more than two decades, will continue to contribute his wise counsel, his business experience, and his industry knowledge toward the prosperity of the Company. Other Board transitions included former Chairman Robert Bradshaw, continuing as a Director, and Neilson A. "Dutch" Bertholf, Jr., of Phoenix, joining as a new Director to fill the vacancy created by David Emerson's departure. An eminent member of the Southwest US business and aviation communities, Dutch is an outstanding addition, and we look forward to his participation on the Board.

Also during 1998, the Board approved implementation of a Normal Course Issuer Bid, affirming our belief that the market price of our Common shares from time to time does not fully reflect the value of our business, or our future business prospects, and that at such times outstanding Common shares represent an attractive investment and an appropriate and desirable use of Company funds. As of

*We adopted Stantec as the single, global brand identity for all of our consulting services and made important strides in pursuing our goal to rank among the top 10 global design firms*

December 31, 1998, we had repurchased 40,800 outstanding Stantec shares pursuant to provisions of the Normal Course Issuer Bid. Additionally, the Board approved our initiative to provide eligible employees with the opportunity of becoming shareholders in the Company. As of January 1, 1999, we introduced the Stantec Employee Share Purchase Plan to eligible employees. Providing partial matching benefits, the plan offers one more avenue in which employees can participate in building the Company, and has been very well received.

Going forward, we will continue to implement our well-defined growth strategy to provide added value to our shareholders and opportunities for our staff. Focusing predominantly on North America, we will provide consulting services through all phases of the infrastructure cycle, targeting mainly mid-sized projects with a capital value of less than \$100 million.

*We continued to consolidate by successfully completing a total of nine acquisitions, each of which has been integrated at both the regional and market segment levels*

In conclusion, on behalf of the Board of Directors, I would like to thank all the employees of Stantec for their efforts toward ensuring a most successful year. 1998 has been a year of evolution that will long be remembered as having set a new benchmark for the Company. We have climbed several imposing peaks this past year, discovering each time that there were ever greater heights for which to strive. As we begin a year which will lead us into the new millennium, Stantec is at its strongest in a distinguished 45-year history—well-positioned to take advantage of the many opportunities that lie ahead.



A.P. Franceschini  
President & CEO



## Operations Overview

Our three Business Units are Consulting Services, Technology & IT, and Design Build & Affiliates. Consulting Services is our largest, most established Business Unit and represents the bulk of revenue generation for Stantec. Increasingly moving toward full service capabilities, Consulting Services operates in Canada, the US, and selected International areas, offering resourceful, value-based solutions targeted to the Environment, Buildings, Transportation, Urban Land, Industrial, and Management Systems market segments.

Technology & IT was established to consolidate the non-consulting, but complementary, Stantec activities. A new entity, Stantec Global Technologies Ltd., has been created to own and operate the technology-related businesses, including Datria, a voice-recognition data collection system for which Stantec is the exclusive Canadian distributor, as well as a global Value Added Reseller (VAR), and a US subdistributor; Goodfellow EFSOP<sup>®</sup>, the Electric Furnace System Optimization Process sold primarily to steel mills to improve combustion efficiency and regulate flue emissions; and Integrated Infrastructure Management Systems (IIMS)—a proprietary suite of software programs.

Our affiliated businesses reside in the Design Build & Affiliates Business Unit. Lockerbie Stanley Inc. (50% owned) provides Design Build project delivery in environmental and industrial infrastructure markets. Teshmont Consultants Inc. (50% owned) provides services in direct current high voltage transmission, high voltage rectifier design and maintenance, alternating current high voltage transmission, and substation design and maintenance systems. Linnet – The Land Systems Company (33.3% owned) is a Geographic Information Systems (GIS) integrator and land management application products company, offering a full range of information technology services for land-based enterprises. SSBV Consultants Inc. (33.3% owned) provides services in water and sewage in selected areas of the western US and Canada.

On the pages that follow, we invite you to gain additional insight into each of these areas, as you learn a little more about Stantec...our services and people. We are confident that in a largely fragmented industry, we will continue to grow at an aggressive pace, to bring greater value and opportunity to all of our key stakeholders—employees, clients, and shareholders.

## Corporate Identity



Last November's launch of the new Stantec corporate identity was marked by festivities across all regions. In Edmonton, this historic moment was hosted jointly by the three individuals who have held the position of President & CEO since the Company was first founded in 1954—Dr. Don Stanley (center), Ron Triffo (right), and Tony Franceschini. Having attained our strongest performance ever during 1998, we are proceeding on a well-defined course of industry consolidation. We will continue to expand, mainly through acquisitions, while pursuing our goal of ranking among the top 10 global design firms.



**Stantec**

Overview

Stantec 1998



# Consulting Services

## REGIONS

### Canada West



British Columbia • Alberta • Saskatchewan • Manitoba  
• Northwest Territories • Yukon • Nunavut

*Our strong performance is characterized by a large number of projects for many clients over a wide geographic area.*

- Alberta land development market buoyant with more than 7,700 single family lots in Calgary and work starting on Edmonton multi-year Grange Project, expected to eventually total 6,000 lots; acquisitions of leading geomatics firms Walker Consulting Group (Edmonton) and Loeppky & Associates (Calgary) augments Urban Land
- Increased presence in Buildings results in hospital and related health care assignments requiring single-discipline and integrated services; integrated structural, mechanical, and electrical engineering for Calgary's new Convention Centre and Hyatt Hotel
- Successful acquisition of three prominent architectural firms: Barry Johns Architects, WSAG Architects, and Laird Polson Architects (Edmonton/Calgary/Vancouver), forms core of new entity Stantec Architecture Ltd. and strengthens capabilities in Computer Aided Facility Management (CAFM)
- Environment assignments include Greater Vancouver Water District assignments, Edmonton Rossdale Water Treatment Plant Reservoir, Grande Prairie Sewage Treatment Plant, and City of Flin Flon Wastewater Treatment Plant
- Transportation studies include Bus Planning Study for BC Transit and study for twinning of Highway 63 north of Fort McMurray. Industrial studies include study for hydrogen pipelines between oil sands sites and study for 600 MW co-generation plant
- Transportation group receives major recognition for Stoney Trail Bridge in Calgary; top awards from ACEC-US (Washington) and ACEC-Canada (Ottawa) for Confederation Bridge

### Canada Central



Ontario • Quebec

*Operations expanded to 600 staff, as we strengthened our position among the top tier of the region's service providers. With 12 office locations, we can provide excellent service to our clients.*

- Ontario operations are strengthened by key acquisitions: CC Parker Consultants (Hamilton/London); LaFontaine, Cowie, Buratto & Associates (Windsor/London); and Goodfellow Consultants (Mississauga)
- Major project award from Ontario Ministry of Transportation: development of new Bridge Management System for entire provincial network of highways
- Office consolidations completed in London and Ottawa, including upgrades to computer networks and communication systems
- Regional assignments include new wastewater treatment plants in Elmira and New Hamburg; various airport and aviation projects in cities that include Toronto, Hamilton, and Sydney, Nova Scotia
- Industrial activity is especially strong in Ontario with assignments contracted in the rubber and food processing industries
- Leading expertise in meat processing continues to gain recognition with significant new project secured in Burlington, Ontario, and work continuing on world-class Schneiders plant in Winnipeg
- Several major land development assignments awarded in the Greater Toronto Area, reinforcing a growing Stantec presence in that significant market

### US Southwest



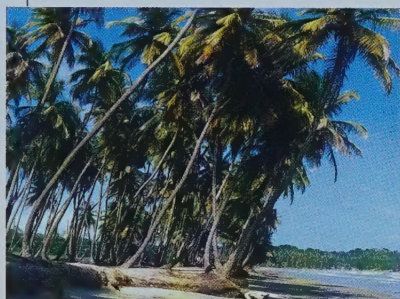
Arizona • Nevada

*The economy of the Southwest, fueled by population growth and commercial activity, continues to be strong and is expected to remain positive.*

- Phoenix operation named Number 1 engineering firm in Arizona in both the categories of engineering and consulting
- First quarter highlighted by procurement of Gila River Indian Community irrigation contract, tied to future construction of US\$30 million Lone Butte Delivery System; many other water resources projects secured in Arizona as well as neighboring Nevada; in other areas of US, BNR wastewater plant design awarded in Howard County, Maryland
- Additional new projects include wastewater treatment facility for Gila River Indian Community; Drainage Design Manual to be prepared jointly for Maricopa County and City of Phoenix; ongoing contracts with Arizona Department of Transportation (ADOT) and Nevada Department of Transportation (NDOT)
- Acquisition of Kaminski-Hubbard (Phoenix) strengthens Transportation services, particularly through longstanding relationship with ADOT
- Airport assignments remain strong: continuing City of Phoenix Sky Harbor International Airport work includes major taxiway reconstruction
- Several new Management Systems assignments secured, including right-of-way assessment for Clark County, Nevada, which utilizes state-of-the-art, voice-activated VoCarta technology



## International



Caribbean • Latin America • Middle East • Asia  
• Europe • Australia

*International activities continued to be focused in selected geographic regions and specialty service areas.*

- Environmental assignments include: solid waste management projects in Belize, Barbados, and The Bahamas; sewage treatment facility predesign in Korea; water and sewerage process design in Australia
- Water projects continue in St. Lucia, Grenada, and Dominica
- Study and design of major sewerage project in Barbados, and process design and commissioning of sewage treatment facilities in Australia, Korea, and Spain
- Transportation projects completed in Trinidad and China, and new transportation project started up in Trinidad
- Work on Dominica Airport Project continues; conceptual master plan for airport runway expansion in Sultanate of Oman completed
- Mechanical and electrical services for King Edward VII Memorial Hospital in Hamilton, Bermuda



EFSOP® • Datria • IIMS • Financial Systems

*We have made significant progress in developing specialized data management software and equipment. Our packaged applications are increasingly in demand, with new opportunities for Information Technology services on the rise. We use technology to complement Consulting Services and to add value to our clients' projects. In 1998, we added EFSOP® and Datria—each of which has already contributed to project activity.*

- Several installations of innovative Electric Furnace System Optimization Process (EFSOP®) completed in various locations, including England
- EFSOP® recognized with prestigious 1998 Financial Post Environment Award for Business – Technology Silver Award, regarded as one of top distinctions in environmental technology
- Stantec signs Master Distributor agreement with Datria Systems, developer of speech-to-data software VoCarta, giving Stantec exclusive right to market, sell, and support all Datria technology in Canada; VoCarta is used to reduce costs in right-of-way, multi-phased assessment in Clark County, Nevada, surrounding greater Las Vegas
- IIMS Release 6.3 (Integrated Infrastructure Management Systems), PMA Release 1.4 (Pavement Management Application) are introduced
- Plans underway to explore potential for integrating voice technology into IIMS to augment existing GIS and Imaging feature in IIMS and PMA
- Edmonton Art Gallery assignment includes complete replacement of existing network software, productivity tools, and a financial system; Voxcom Inc. assignment addresses complex processing and reporting issues
- IT group is named Great Plains President Club Member for second consecutive year, recognizing high sales volume and superior customer satisfaction



Lockerbie Stanley • Teshmont • Linnet • SSBV

*Design Build provides at-risk project delivery. Affiliates extend and leverage our range of technologies and expertise through partnerships.*

- Lockerbie Stanley commissions Town of Cochrane Water Treatment Plant; other commissions include Zhangye and Jiayuguan water treatment projects in China; Luoyang Wastewater Treatment Plant Project awarded; Lethbridge Energy Efficiency Project undertaken with revenues from energy savings to accrue upon completion; contract details finalized on City of Langley Reservoir and Pump Station
- Teshmont key projects include continuing work on Three Gorges Transmission, including assistance with engineering of the HVDC transmission associated with Three Gorges Power Project; Egypt/Jordan Interconnection, requiring the world's deepest undersea power cable; Malaysia/Thailand Interconnection, involving HVDC inter-tie between the two countries; other activities include studies related to Newfoundland and Labrador Hydro, Norway-Germany and Norway-Netherlands connection studies, completion of South China Power Studies, and several projects for Manitoba Hydro
- Linnet holds product launch of its software package Croplands – The System at International Conference on Geospatial Information in Agriculture in Orlando; contracts signed for Woodlands – The System software with Lignum in British Columbia and Weyerhaeuser in Alberta; major contract signed with Province of Manitoba to reengineer the Crown Lands Registry systems; development of application product BIOTICS (Biological Tracking and Conservation System) for conservation data centers completed; work begins with Nature Conservancy in Arlington, Virginia, to support roll-out of heritage network program across North and South America
- SSBV continues major undertaking on \$100 million Ozone Disinfection and Corrosion Control for Greater Vancouver Water District's Capilano and Coquitlam drinking water supplies





# Environment

*Environment combines  
environmental engineering  
& management expertise in  
water & wastewater  
treatment, water resources  
& stormwater management,  
indoor air quality,  
municipal infrastructure,  
environmental monitoring  
& remediation, waste  
contaminants & solid waste.*

Environment is among our most active market sectors—one where we provide solutions to ensure safe, healthful communities in which we can live, work, and play. An area where Stantec experts excel globally is in designing systems to meet the need for clean water supplies. The Greater Vancouver Drinking Water Treatment Program is an illustration of our commitment to the field. Stantec engineers have provided studies, predesigns, and detailed designs on the \$300 million project for the past seven years. Most recently, design was completed and construction started on the \$100 million Ozone Primary Disinfection and Corrosion Control Project in Capilano and Coquitlam. Consisting of two facilities, each will have a treatment capacity of 1 000 MLD (220 MGD) and together are regarded as the largest drinking water ozone disinfection (without filtration) project in North America.

From the West Coast of Canada to the desert of the Southwest US, Stantec engineers respond to the diverse challenges of nature's topographic and climatic variances—even in the extreme. Our water experts face just such a task on the Pima-Maricopa Irrigation Project, a complex undertaking to deliver Central Arizona Project (CAP) water to the Gila River Indian Community. With responsibility for the US\$35 million West Side Area Conveyance System, our design



includes three reaches of pipeline and one of open canal extending 30 km (19 mi) to deliver CAP irrigation water to some 6 680 ha (16 506 acres) of land.

Refurbishing existing facilities is also a key focus to providing services within all phases of the infrastructure cycle. The Union Water Treatment Plant in Kingsville, Ontario, provides an example of a recent expansion and upgrade of an outdated design. Completed for the Ontario Clean Water Agency, the plant is distinguished as the first in the region to incorporate an innovative zebra mussel control system for its intakes.

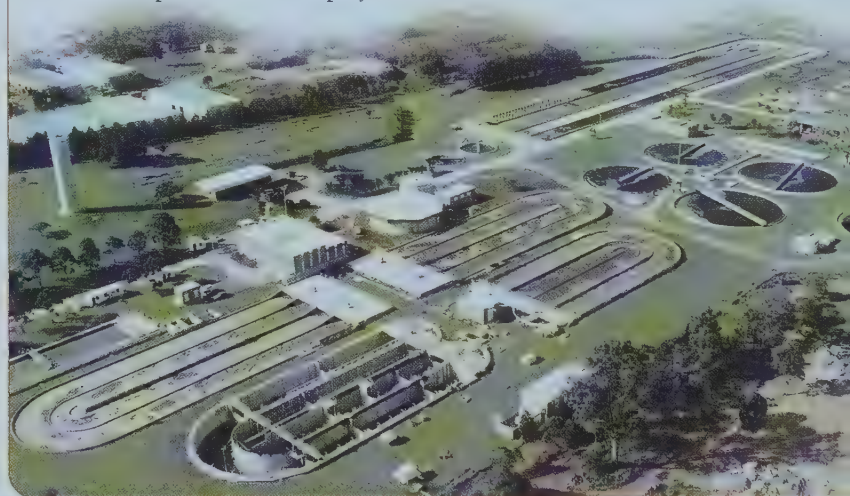
When communities rely upon groundwater resources for fresh water supplies, hydrogeologic expertise is tantamount. Many Ontario communities face this challenge, and our hydrogeologists have provided pioneering solutions in the assessment, management, and protection of groundwater resources. For example, we provided hydrogeologic assessment on an Aquifer Delineation and Characterization project in Kitchener/Waterloo, including development of a three-dimensional groundwater flow model to delineate well-field capture zones. We also completed several water quality and groundwater protection studies and assessments, including a Nitrate Migration Control Feasibility Study and a Chloride Impact Assessment, both for the Regional Municipality of Waterloo.

Effective treatment of wastewater is equally important in maintaining high environmental standards within our communities. The Wastewater Reclamation Facility for the City of Winslow, Arizona, included evaluation, rehabilitation, and expansion of a facility, while utilizing the majority of existing structures to effect a much-needed upgrade from conventional extended aeration-activated sludge to a cycled NITROX process for Biological Nutrient Removal. The refurbished facility has achieved significant client cost savings, as well as providing a superior treatment process.

# Wastewater Treatment

CENTER OF EXCELLENCE

Stantec has long been renowned for its record of achievement in Wastewater Treatment process design. An international leader in Biological Nutrient Removal (BNR) and Modified Sequence Batch Reactor (MSBR™)—process technologies used in the tertiary treatment of wastewater—Stantec's innovations have been applied on projects that have ranged from Denmark to Korea. This past year saw our Vancouver Wastewater Treatment specialists in Noosa, Queensland, Australia, commissioning a plant upgrade on which they had provided process design for a major plant expansion. A little closer to home, we continued to provide process engineering for design and implementation of pilot plant investigations for nutrient removal, to upgrade 14 wastewater treatment plants in the City of New York. The results of the pilot are expected to minimize new tank construction, and may prove to be the basis for one of the most comprehensive BNR projects undertaken to date.



Environment



#### Silhouette

The Underground Infrastructure Master Plan in Lethbridge, Alberta, addresses the issue of planning to meet the pent-up need for renewal of infrastructure—a growing concern throughout North America.

#### Quality of Life

When water resources is an issue, we're ready to lend a hand. The quickly expanding Southwest US faces ongoing water supply issues and Stantec environmental specialists are on the job. To ensure sufficient quantities of fresh water to the Reno area, we recently completed resource evaluations and conceptual design for an innovative water system originating in the fertile Warm Springs Valley, north of Reno—a system designed to maintain the environmental integrity of the valley, while providing a Quality of Life solution to accommodate the region's rapid growth.

Retrofitting is not always the best option, and when new infrastructure is being considered, the process begins with a thorough investigative phase. The design of wastewater treatment plants for the two Ontario communities of New Hamburg and Baden was initiated with a Class

*We provide a multidisciplinary approach to environmental challenges affecting water, air, and soil, while creating solutions that are both ecologically responsible and cost effective*

Environmental Assessment, including a two-year comprehensive assimilative study of the Nith River. When the river was determined to contain elevated total phosphorus levels, particularly during spring runoff, we proceeded to design the most advanced treatment possible while creating a cost-effective and robust process. To meet strict effluent criteria, our solution has been consolidating all flows to a single treatment plant to undergo biological phosphorus removal and full nitrification. In addition, a comprehensive non-point source loading control program is introduced to address the problem proactively and improve river quality overall.

A corollary issue in effective wastewater control is the treatment of biosolids. Work is underway in Windsor, Ontario, to install a new centrifuge at the West Windsor Pollution Control Plant to carry out dewatering of biosolids from a municipal wastewater treatment plant. Expected to be the largest installation with a high-speed solid bowl dewatering centrifuge in Canada, the installation will use carbon fiber reinforcing technology for structural strengthening of building columns and beams.

An Alberta project that showcases our expertise in infrastructure renewal and management is the Underground Infrastructure Master Plan (UIMP) for the City of Lethbridge. Through a process of data collection, computer model development, and system assessment, Stantec engineers are developing a 20-year plan to facilitate long-term planning, management, and operation



of municipal water distribution, sanitary sewage collection, and stormwater conveyance systems. A goal of the UIMP study has been to develop detailed solutions within the framework of a total infrastructure vision for the entire City. Unlike other less sophisticated studies that limit analysis to neighborhoods and streets, the Stantec model simulates the underground utilities for this community of 70,000, to furnish a full and accurate record of inter-related infrastructure systems.



*Stantec engineers provided hydrogeologic, design, and construction services for three deep water production wells at the new Bellagio in Las Vegas. The wells are over 325 m (1 066 ft) deep with production capacities from 1 135 L (250 g) to 2 725 L (600 g) per minute. The Bellagio, developed by Mirage Resorts Inc., opened in the fall of 1998 and, with a construction value of US\$1.3 bn, is one of the most elaborate casinos ever built.*

On the environmental management side, we recently undertook a three-year research study on the Athabasca River in Alberta to assess the effect of pulp mill effluent discharge on the aquatic environment. Research has been conducted on the health of fish and other invertebrate communities in the river, and water quality has been analyzed to assess the effectiveness of current regulations governing effluent discharge from pulp mills. The study has been well received by industry and government, both on local and national levels.

Stantec environmental expertise continues to be exported to many countries. Last year, we completed design work on one of the first and largest landfills to be constructed in the Caribbean. The Barbados Solid Waste Management Project will support a 500 tonne-per-day sanitary landfill with a 20-year life. Similar projects, involving operations assistance, regional landfill site designs, implementation plans, as well as public awareness campaigns, are currently underway in Belize and the Bahamas.

## Adding Value

### ACQUISITION PROFILE

The acquisition of Goodfellow Consultants, Mississauga, Ontario, added professional services in clean air technology to Stantec. With a worldwide reputation for expertise in ventilation design, contaminant control, air pollution abatement, occupational health and safety, and indoor air quality, this significant niche acquisition created a valuable nucleus for Air Quality—one capable of offering services to a variety of industry sectors. Proactive specialized maintenance to ensure acceptable Air Quality standards is a growing occupational health and safety focus, as demonstrated by our assessment and monitoring of work exposure to ethylene oxide and anesthetic gases in the operating rooms and recovery areas of Trillium Health Centre in Mississauga. The Proactive Indoor Environmental Program, conducted at First Canadian Place in Toronto, included a comprehensive assessment of indoor environmental conditions, including an inspection of the performance of mechanical ventilation systems and monitoring of key indoor pollutants.



Environment





# Buildings

**W**e continue to emphasize service diversification in the Buildings market segment. In 1998, the group increased activity in hospital projects, complemented by assignments related to medical research facilities. At the BC Research Institute for Family Health, we provided architectural services and specialized HVAC design for the Centre for Molecular Medicine and Therapeutics, as well as architectural services on a medical research laboratory for the British Columbia Children's Hospital Pathology/DNA Centre. We also provided architectural services to INEX Pharmaceuticals, as well as mechanical engineering for the University of British Columbia Forest Sciences Centre.

Another key project in Alberta, was the real estate master planning work for the Suncor Fort McMurray Millennium Project. From this assignment, services related to space planning of new offices, relocation of existing facilities, new site preparation, and preparation of a site-wide real estate master plan was provided through our Buildings group. As a result of participating in the real estate master plan, we successfully secured all engineering disciplines for the design of the \$47 million Suncor Millennium Camp—a dormitory structure providing living, dining, and food preparation facilities for construction crews of some 3,500 people.

Elsewhere in Alberta, we are providing architectural as well as mechanical design on the \$10 million TELUS Plaza Redevelopment, which is intended

*Buildings expertise includes architecture; structural, mechanical, and electrical engineering; interior design; and project/construction management for the design of commercial, institutional, and industrial facilities.*



to enhance the image of global telecommunications leader BCT.TELUS. Edmonton Centre is undergoing a similar retrofit for one of its



office towers and retail mall. We have recently completed the Concept Design Phase of a new \$40 million entertainment complex, The Grande, a restoration and reconstruction of the former art deco downtown Hudson's Bay building.

In Calgary, we completed architectural services on the Varsity Plymouth Chrysler Jeep Dealership. We also provided structural services on the fast-tracked Sheraton Suites Calgary Eau Claire hotel project, and prime engineering services on the Calgary Convention Center redevelopment. Work is underway on the Bethany Harvest Hills Alzheimers House for the Bethany Care Society, as we continue to make significant market gains in these service sectors.

Additionally, we provided architectural services on the Morinville High School project, where complex planning and design expresses the balance between academic, physical, practical, and artistic components of the curriculum.

Our Phoenix group continues to provide buildings plan and code checking services to clients that include cities, towns, counties, and Native American Communities. In Arizona, these commissions include the Blue Water

The Facilities Management group was strengthened last year through the acquisition of Laird Polson—acknowledged specialists in the field of Computer Aided Facility Management (CAFM). Through our multidisciplinary approach, the group is providing integrated asset management services for buildings and related infrastructure, addressing such issues as management consulting, strategic planning, space management, operations and maintenance consulting, and commissioning and testing services. Their ongoing objective is to optimize asset performance for our clients in all building types.

## Adding Value

### ACQUISITION PROFILE

1998 marked a pivotal year for Stantec. With the acquisition of Barry Johns Architects, WSAG Architects, and Laird Polson Architecture (Edmonton/Calgary/Vancouver) we responded to the needs of our clients for architecture, engineering, interior design, and project management services under one corporate roof, providing a fully integrated, full-service, single point of responsibility. We view the many award-winning designs of our new architectural group as an outstanding addition to our services. During the past year, notable projects in Edmonton have included health care residence and condominium Laurier House, the Northeast Community Health Centre, and a new corporate home for Alberta Treasury Branches. Other projects include the new CIBC Banking Centre in Calgary, and the new regional art gallery in Prince George, British Columbia, where we were prime consultants, providing architectural and electrical services, as well as landscape architectural services. Additionally, projects were featured in *World Architecture* and *Canadian Architect*, and several design awards were received. Notably, a monograph of Barry Johns Architects, entitled *Documents in Canadian Architecture – Barry Johns Architects*, will be published by TUNS Press in 1999.



Buildings



# Health Care

## CENTER OF EXCELLENCE



With the addition of architecture to our Buildings group, we have strengthened our Center of Excellence in the design of Health Care facilities. Currently focused on Western Canada, several recent projects represent our newly integrated engineering and architectural expertise. In the Vancouver area, we provided architectural and electrical design on the \$15.9 million Richmond Hospital Westminster Health Centre renovation.

Phase 2 includes a three-story addition with centers for Psychiatry, Ambulatory Care, Rehabilitation, Education, and Administration. At Surrey Memorial Hospital, Stantec is responsible for construction administration for a \$50 million addition to house the new Children's Health Centre, Adolescent Psychiatry, surgical suite and ICUs, Intermediate Care Nursery, and other units. In Vancouver, we are providing mechanical and electrical engineering services on the Oak

Street Hospital redevelopment; architectural and mechanical services on the \$80 million Vancouver General Hospital Tower finishing project; and mechanical engineering on the West Coast Hospital. In Victoria, we have provided mechanical engineering for the \$70 million Royal Jubilee Hospital Phase 1/1A Redevelopment. In Edmonton, we are completing architectural, mechanical, and electrical design on the Royal Alexandra Hospital Neonatal ICU, incorporating state-of-the-art technology and equipment specifications. In Calgary, we supplied a Master Plan Rework of the Peter Lougheed Centre, including architectural and structural design for this \$28 million redevelopment that has added a new surgical suite, emergency department, ICU/CCU, Ambulatory Care Centre, and other facilities. Also in Alberta, we are providing structural, mechanical, and electrical services for the new \$18.5 million Peace River Community Health Centre.

## Buildings

Casino/Resort, in Parker; the Carefree Conference Resort renovation, in Carefree; and the Casino Arizona, in Scottsdale. In Casa Grande, we provided plan review and inspection services for a US Border Patrol Substation, including numerous holding cells, secured visitor areas, and an armory.

The Buildings group is also growing throughout Ontario. In Kitchener, we provided structural, mechanical, and electrical design of an armory for Defence Construction Canada, as well as

*Through integration, we have dramatically changed the way our consulting services are delivered*

mechanical/electrical design of the Ministry of Consumer and Commercial Relations (Land Registry) and Ministry of Attorney General (Crown Attorney). In London, we contributed structural services to the St. Joseph's Health Centre and to the London Health Sciences Centre—both major hospital reconstructions. Also Stantec was appointed as prime consultant on the New Stadium Project for London's University of Western Ontario, which will be used for the 2001 Canada Summer Games. In Windsor, we completed structural engineering for the new \$50 million Windsor Justice Facility. In Trenton, we acted as mechanical consultants for the ventilation study at CFB Trenton Central Material Supply Facility.

We have been active in Ottawa, including civil, structural, mechanical, and electrical design for the new Air Canada Maple Leaf Lounge at the MacDonald-Cartier International Airport, as well as preliminary civil, mechanical, and electrical design for the \$14 million School of



Information Technology and Engineering at the University of Ottawa. A standing offer agreement to provide mechanical and electrical services has been secured with the Museum of Civilization, where we have previously designed these systems for major exhibits.

Stantec's national presence was beneficial in securing the Year 2000 Compliance Audit for Cambridge Shopping Centres Limited. Stantec has assisted in carrying out site audits, manufacturer documentation search and review, testing, and site remediation, the project involves some 70 building system components and encompasses more than 2 232 000 m<sup>2</sup> (24 016 320 ft<sup>2</sup>) of building space in 48 buildings across Canada. Another nationwide project is our ongoing cellular phone site development for Clearnet PCS. Services were focused in Ontario this past year as we provided structural, mechanical, and electrical design for several sites in Windsor and planned for future site developments in Peterborough. In total, during the last two years we have designed some 300 sites for Clearnet in various Canadian cities.

Internationally, two projects are underway in Bermuda. We have provided mechanical and electrical services for the King Edward VII Memorial Hospital. Specifications have included laboratory requirements to accommodate microbiology, biochemistry, molecular virology and hematology study and testing; a medical gas system upgrade and new oxygen concentrator to produce onsite medical grade oxygen; as well as pediatric and cardiology renovations. Special consideration has been given to a new seven-person hyperbaric chamber for treatment of severe diving accidents and critical wound care. We are also providing mechanical engineering design for the Bermuda National Centre—a \$50 million sports complex and national millennium project that will feature a complete water experience in an outdoor aquatic environment.



*We provided Interior Design for several financial institutions. In Edmonton, the Alberta Treasury Branches corporate office relocation called for conceptual design and planning for all departments, as well as construction drawings (electrical/mechanical), structural consultation, furniture acquisitions, and interior finishes. For Canada Trust, we provided interior design on a number of Edmonton-area branches, including construction drawings, color, and finishes.*

### Quality of Life

*Finding the right Quality of Life solution is never more critical than when it involves a new life. At Edmonton's Royal Alexandra Hospital, where the drama of infant life in plight is played out on a daily basis, Stantec's multidisciplinary team will combine resources to meet the challenge. Incorporating state-of-the-art technology and equipment specifications, Stantec experts will provide architectural, mechanical, and electrical services to design the hospital's new Neonatal Intensive Care Unit.*



*Silhouette*  
*The Year 2000 Compliance Audit for Cambridge Shopping Centres Limited has teamed Ontario and Alberta experts to conduct assessment and remediation on Cambridge properties across Canada.*





*Transportation services include planning, engineering, and project management for all transportation modes and facilities, including highways, urban roadways, bridges, light rail transit, parking, and airports.*

**Transportation**

This past year saw a strengthening of Transportation capabilities in all regions. In Windsor, Ontario, we completed an Ontario Ministry of Transportation (MTO) Value Engineering assignment for an improvement design on a section of Hwy 401—one of the continent's most traveled highways. Seeking optimum value for each dollar budgeted, the multidisciplinary team studied alternate concepts, materials, and methods to identify a potential savings of \$11.2 million—almost half the original design cost.

Additional projects completed for MTO include Hwy 403 interchange modifications and high mast illumination in Hamilton; Hwy 401 upgrading in Oxford County; and preliminary design for the Glendale Interchange on the Queen Elizabeth Way (QEW) in Niagara-on-the-Lake. Another QEW assignment was a new six-lane highway section in St. Catharines, including the busy Victoria Avenue interchange, where construction staging was designed to facilitate continuous high-speed traffic flow.

In Kitchener, contract administration and onsite inspection services are being provided for the Region of Waterloo Ministry of Transportation on a \$21 million upgrade of the Conestoga Parkway. This high profile urban highway reconstruction project includes extensive liaison with the local media and government agencies, such as police authorities, emergency services, and traffic control personnel. The project is the second stage of a multi-phase reconstruction of the expressway and Hwy 8 link to Hwy 401,



and includes major structural widenings, ramp improvements, and highway widenings.

Municipal roadway projects included an assignment for the City of Timmins, with preliminary design, final design, and construction administration provided for a major arterial roadway serving institutional, residential, and commercial needs. We were also successful in receiving our first major assignment from the City of Guelph, providing preliminary design, final design, and contract administration services for a new railway grade separation. In conjunction, we will provide services for associated roadworks, creek culvert installations, and the closure of an existing at-grade crossing, west of the proposed grade separation.

In British Columbia, we were retained by the City of Surrey—one of the Lower Mainland's fastest growing communities—to prepare a Transportation Master Plan, and by the Greater Vancouver Transportation Authority to develop a transit priority strategy supporting the development of a Surrey RapidBus Transit System. The RapidBus system is viewed as a precursor to implementation of a light rail system. We were also retained by the British Columbia Ministry of Transportation on a number of assignments, including detailed design for a stretch of highway on Vancouver Island, and a study for augmenting a lengthy section of the Trans-Canada Highway, involving preliminary and functional design of highway widening, passing lanes, and intersection improvements.

We are nearing completion on the design of Geiger Grade, a major thoroughfare for the Regional Transportation Commission of Washoe County, Nevada. The project calls for extensive improvements, including realignment of a principal arterial, widening of a two-lane roadway to a four-lane roadway, new intersections, reconstruction, utility relocation, channelization and design of a large drop structure for a main water course, as well as floodplain delineation and erosion analysis.

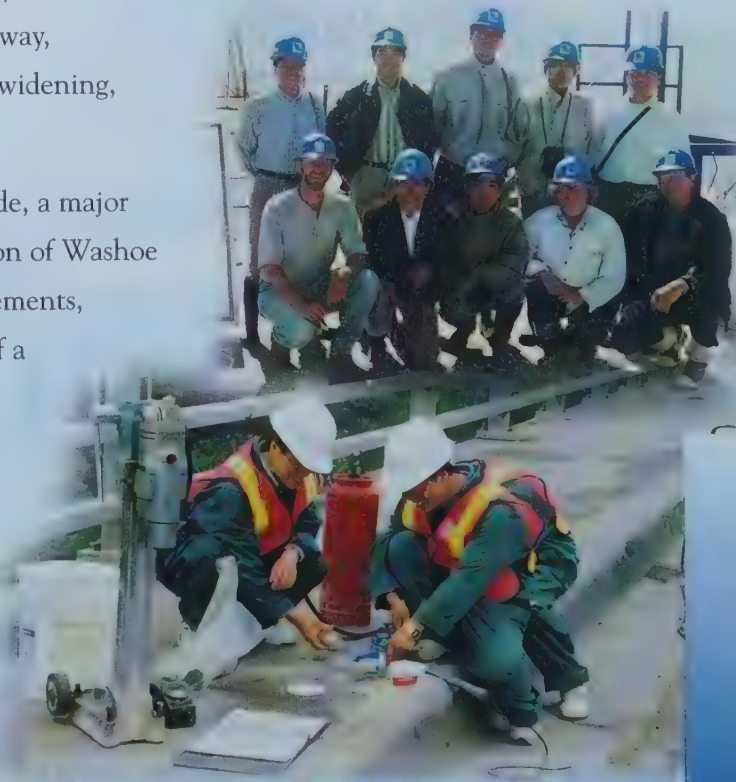
We continued our role as one of the leading transportation modeling firms. In addition to using a range of well-known models, such as

#### *Silhouette*

*The Calgary International Airport Parkade Expansion met strict concrete durability requirements, when adding 794 stalls to meet increased traffic volume demands.*

#### **Quality of Life**

*Our focus on Quality of Life has often taken us to countries beyond North America, not only to complete engineering projects but to play a role in providing education, technical training, technology transfer, and equipment supply, particularly in developing countries. 1998 marked the culmination of the five-year China/Canada Comprehensive Transport Management Training program, in which Stantec specialists participated, assisting their Chinese peers in strengthening local transportation planning and operational practices.*



#### **Transportation**



Environmental concerns were key to the Calgary team when they achieved yet another milestone—the award-winning Stoney Trail Bridge. Both the City of Calgary and the environment will benefit for years to come with this five-span, horizontally-curved, concrete box girder construction that is both the longest and highest bridge in Calgary. Incorporated into the design is a low level pedestrian bridge supported by cable stays. As Canada's first incrementally launched bridge, the project produced significant cost savings for the City, while minimizing environmental impact on surrounding terrain.



EMME/2 and T-Model, we applied the micro-level traffic simulation model “AIMSUN” to evaluate intersection and interchange configuration alternatives by examining simulations of actual traffic patterns along Edmonton's Yellowhead Trail—having originally used this model in

China earlier in the year. Also in the Edmonton area, we provided design and construction supervision of the Hwy 16/S.H. 779 Interchange, and in

the City's downtown core, we conducted an operational planning study for conversion of the one-way road system to two-way.

*Our achievements in Transportation are characterized by a balance in creativity, safety, and value to support efficient movement on land, over water, and in the air*

The prominent Plaza Bridge in Ottawa, located in the vicinity of the Parliament Buildings, is well into the final stages of construction with concrete facing of the structure continuing and new landscaping features underway. Another major Ottawa landmark, the Mackenzie King Bridge, was officially reopened in Ottawa last August following a two-year, \$23 million rehabilitation that included restoring vital support structures. The bridge, housing the busiest transit station in the National Capital Region, is used by an estimated 100,000 people daily.

Regardless of size, every transportation project presents unique challenges. The Woodward Avenue Bridge in Hamilton, Ontario, was constructed in two stages with much of the work conducted at night to avoid traffic interruptions on intersecting roadways leading to the City's industrial center. Maintaining busy urban center traffic flow during construction is frequently a consideration in bridge

## Adding Value

### ACQUISITION PROFILE

The acquisition of Kaminski-Hubbard Engineering, Phoenix, augmented our Transportation practice in the US Southwest, as well as our relationship with the Arizona Department of Transportation (ADOT). Our strengthened regional presence led to several new assignments, including the expansion of McClintock Drive in Tempe, Arizona. We prepared design plans to widen this major arterial that intersects with the highly traveled Red Mountain Freeway, incorporating sidewalks, bicycle lanes, a storm drain collection system, water line replacement, and major utility relocation. We also developed plans for a six-lane roadway on Mayo Boulevard in Phoenix. Including an interim access to the new Mayo Hospital, the alignment incorporated new drainage facilities and a traffic signal at Scottsdale Road.



Transportation



and roadway design. The York Avenue Underpass Reconstruction, in the heart of Winnipeg, was concluded over four phases to sustain CN mainline and VIA Rail Station traffic, while observing a compressed timeframe to assure completion before the 1999 Pan Am Games.

Airport work continued across the continent with Canadian assignments alone totaling projects for 42 airports in all provinces of Canada and in the Yukon. We provided electrical engineering design for the Airport Air Terminal Redevelopment in Edmonton, expanding international and domestic arrivals and departures facilities. The systems incorporate four new 25 kV substations, two emergency generators and a replacement of the existing public address and telephone equipment systems. At Winnipeg International Airport, we completed design of the airside infrastructure of a new air cargo service known as Winnport.

In Arizona, we worked on the Nogales International Airport, including hangars, an apron, and heliport. Work on hangars involved design services and construction observation of an executive hangar as well as five box hangars. At Sedona Airport, we completed projects related to an Automated Weather Observing System, heliport and helicopter parking apron, and a new airport master plan.

Internationally, we provided services to the Sultanate of Oman, preparing a conceptual Airport Master Plan for a new airport servicing the rapidly developing Sur Region—one of seven airport-related projects concluded in Oman in 1998—and completed the Melville Hall, Dominica, airport feasibility study.

## Airport and Aviation

CENTER OF EXCELLENCE



Stantec maintains two Centers of Excellence in Airport and Aviation Services—one in Phoenix, Arizona, and one in Port Elgin, Ontario. Our Phoenix team is best known for its role in upgrading Phoenix's Sky Harbor International Airport, which now ranks as 6th in America and 12th in the world in terms of passenger volume. In the last year alone, the Phoenix team was involved in designing segments of the new US\$10 million apron at Terminal 4, including earthworks grading and drainage improvements, paving and electrical plans, and construction management. Additionally, we were involved in a major airfield pavement reconstruction program. At Toronto's Pearson International Airport, the Port Elgin team recently completed construction supervision and administration of runway extensions for Runway 06L-24R, as well as design of electrical, mechanical, structural, and site services for a new control tower—the tallest in Canada. At Hamilton International Airport, construction was completed for a \$5 million apron expansion that incorporated installation of glycol collection and fuel/oil recovery systems into the design.



Transportation





# Urban Land



Our ongoing commitment to improving Quality of Life is perhaps most evident in our achievements within Urban Land. With a strong focus on residential land development, this is an area that enhances the heart of our communities—our homes and our neighborhoods. During the past year, healthy local economies drove the demand for residential and commercial projects, and the full scope of our planning, landscape architecture, engineering, and survey services.

*Urban Land provides planning, engineering, surveying, geomatics, landscape architecture, and project management services, as well as site development for commercial, institutional, and industrial facilities.*

In Phoenix, we provided services on the La Paloma Estates development, a private community of custom designed lots. Design considerations were to safeguard the environmentally sensitive areas by designating over half of the development as open space. Similar environmentally sensitive open space concepts were provided for Upland Park in Avondale and Montefino Village at Ocotillo in Chandler. In Reno, we provided planning and engineering services for the Double Diamond Development, a master planned community. We also continued work on a luxury development, which consists of some 200 ha (494 acres), including 720 single family estate lots and a PGA Tour Jack Nicklaus Signature Golf Course, located below the scenic Sierra Nevada Mountains.



In Ontario, we provided services on several residential developments of varying scales. The Laurentian Forest Subdivision in Kitchener, a 10-year, multi-staged undertaking for Activa Development Corporation, is one of the largest subdivisions ever to be approved by the City. Incorporating a total of 1,600 detached, semi-detached, and townhouse dwellings, services will include design and construction administration, as well as implementation of a groundwater monitoring and protection program and other measures, which will minimize impact on the environment. We also provided engineering services for Kitchener's Settlers Grove and Deer Ridge Estates, part of a 1,000-unit community adjacent to the Deer Ridge Golf Course, where we previously provided a diverse range of consulting services associated with both the golf course and clubhouse construction. Elsewhere in Ontario, typical developments included services on initial stages of the Richmond Hill Subdivision in London and for Phase III of the Village-by-the-Arboretum, a 600-unit lifestyle condominium development in Guelph. Several of our assignments were in the recreational cottage country of Ontario, including design and construction administration of the 300-lot recreational community of Pineridge in Gravenhurst, and preliminary design, master planning, and final design for the 400-unit Echo Valley Resort in the Lake of Bays.

In Alberta, the residential market remained strong both in Edmonton and Calgary. In Edmonton, first phase construction for The Grange, a major residential development, commenced in the summer of 1998. This multi-million-dollar project will include 15

## Sustainable Development

CENTER OF EXCELLENCE



Our success in providing land development solutions that are both economical and environmentally sensitive is enhanced by our Center of Excellence in Sustainable Development. The objective of Sustainable Development is to create a landscape that will be reinforced by a self-sustaining and ecologically balanced pattern of vegetation. Our Calgary-based expertise has attained many such achievements. The Villages of Prestwick and Inverness, neighborhoods within the McKenzie Towne project, have been situated within continuous greenways balanced by open space that supports various functions, including uniquely conceived stormwater facilities. Measuring about 6 ha (15 acres), the stormwater facilities have provided an engineering solution to cost-effectively manage stormwater discharge, as well as recreational opportunities in both a naturalized and manicured park setting. Naturalized Storm Detention Ponds created for the Coventry Hills development are another example of excellence in the field. The ponds were designed based on a shallow profile central stream that serves as a drainage way, thus replacing the need for conventional storm piping and catchbasin systems. The unusual landscape concept reflects the character of the surrounding Nose Creek Valley, incorporating the ponds as a seemingly natural tributary. Intended to support many of the ecological features and processes of a natural creek, including streambank, shoreland, and riparian vegetation, the ponds enhance the setting in many ways.

Urban Land



*A growing emphasis is our participation in developing ski resorts. We have supplied services to the popular Mount Rose/Ski Tahoe resort in Nevada for several years, as they have grown into a world-class destination. Recently, we provided them with planning and design services for additional utility infrastructure, snow-making capabilities, and a new lodge. In the Canadian Rockies, we have completed engineering services at Alberta's Castle Mountain Resort to relocate a chairlift, as well as survey services for the popular Panorama Ski and Golf Resort.*



stages of development over the next 10 years and will ultimately house 27,000 people. We provided consulting services to Carma Developers and other owners on the first phase, incorporating the unique feature of an entrance bridge constructed over two ornamental lakes and leading to a central plaza. In Calgary, our planning, engineering, legal survey, and landscape architecture services were provided on another Carma development, the Village of Prestwick—second in a series of neo-

traditional, residential neighborhoods being developed in Calgary's McKenzie Towne. This development includes a formal Towne Square, a traffic roundabout, several parks, and open spaces. Additionally in Calgary, we completed the planning, land use, and detailed design for the Bridlewood community. Based on sustainable planning criteria, the community is focused on a pedestrian friendly design with residential

density concentrated around strategically located transit nodes.

Commercial land development projects were undertaken in all regions. In Aurora, Ontario, we continued to provide design and construction administration services for the ongoing development of the 100 ha (247 acres) Magna International Global Headquarters. In Edmonton, two more stages of South Edmonton Common, a 120 ha (297 acres) commercial and retail project, were developed for major anchors such as Wal-Mart and Home Depot. In Calgary, we provided the planning, engineering, landscape architecture, and surveying for the Shawnessy Towne Centre, 58 590 m<sup>2</sup> (630 428 ft<sup>2</sup>) of retail and commercial space for stores such as Staples, Petsmart, Wal-Mart, and Home Depot, as well as offices, a high school, and a regional recreational facility. This innovative plan is based on grid roads within large commercial lots. The design facilitates potential future development to support a major

## Adding Value

### ACQUISITION PROFILE

Our geomatics capabilities were enhanced through the acquisition of two firms, Walker Consulting Group (Edmonton) and Loeppky & Associates Surveyors (Calgary). The two acquisitions maintained our leading market position in Urban Land. Both well-established firms, they strengthened our existing capabilities adding clients and projects.





employment center within a grid road pattern that accommodates both pedestrian and transit needs. The Shawnessy Towne Centre includes a landscaped dry stormwater pond that forms the extension of an existing wetpond facility.

On a comparable development—Tahoe/Reno Industrial Center’s Patrick Business Park in Storey County, Nevada—we performed a feasibility study, mass grading plans, utility master plan, and improvement drawings. The business park is the initial development in what is planned to be one of the largest industrial centers in the US.

Our Urban Land specialists were also actively focused on the preparation of market assessments, policy and guideline formulation, development of feasibility analyses, and other tasks as illustrated by a consultative role in a Future Land Use Assessment for Northwest Port Moody, British Columbia; a site assessment for Muskoka Centre in Gravenhurst, Ontario; a site development plan for the Michener Centre in Red Deer, Alberta; and a site analysis for the University of Nevada Fire Science Academy in Elko County, Nevada. This US\$18 million project involves developing 30 ha (74 acres) of academic, administrative, and support buildings; a comprehensive utility infrastructure; and development of a fire training

### **We incorporate the principles of sustainability and environmental integrity to ensure long-term viability for our projects, while satisfying the objectives of the developer**

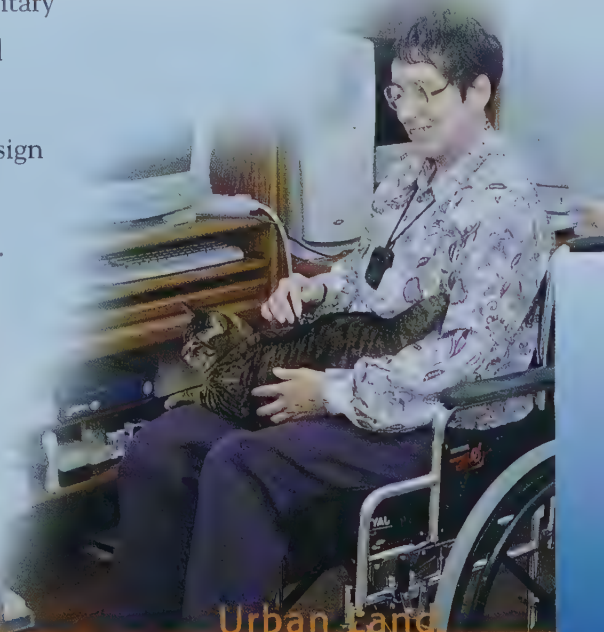
prop area. We are providing several services on the project, including hydrology analysis for the site, underground storm drainage system, sanitary sewer distribution system, domestic water supply system, as well as road access and site grading. We are also supplying structural design of fire training prop pads, including the collection treatment and drainage design for a fire water system that will have a 60% water reuse capacity. The entire project is being designed as a complete enclosed recycled system.

### **Quality of Life**

*When we prepared a Site Development Plan for the Michener Centre in Red Deer, Alberta, Quality of Life was the central issue. The proposed plan is intended to integrate people with developmental disabilities into a series of purpose-built neighborhoods—in homes that meet their unique needs, but as part of a standard residential setting. The plan incorporates unique safety features and allows for the continued care of residents. The overall setting is no longer recognizable as an institutional entity, but as a service system of homes woven into the fabric of its own community.*

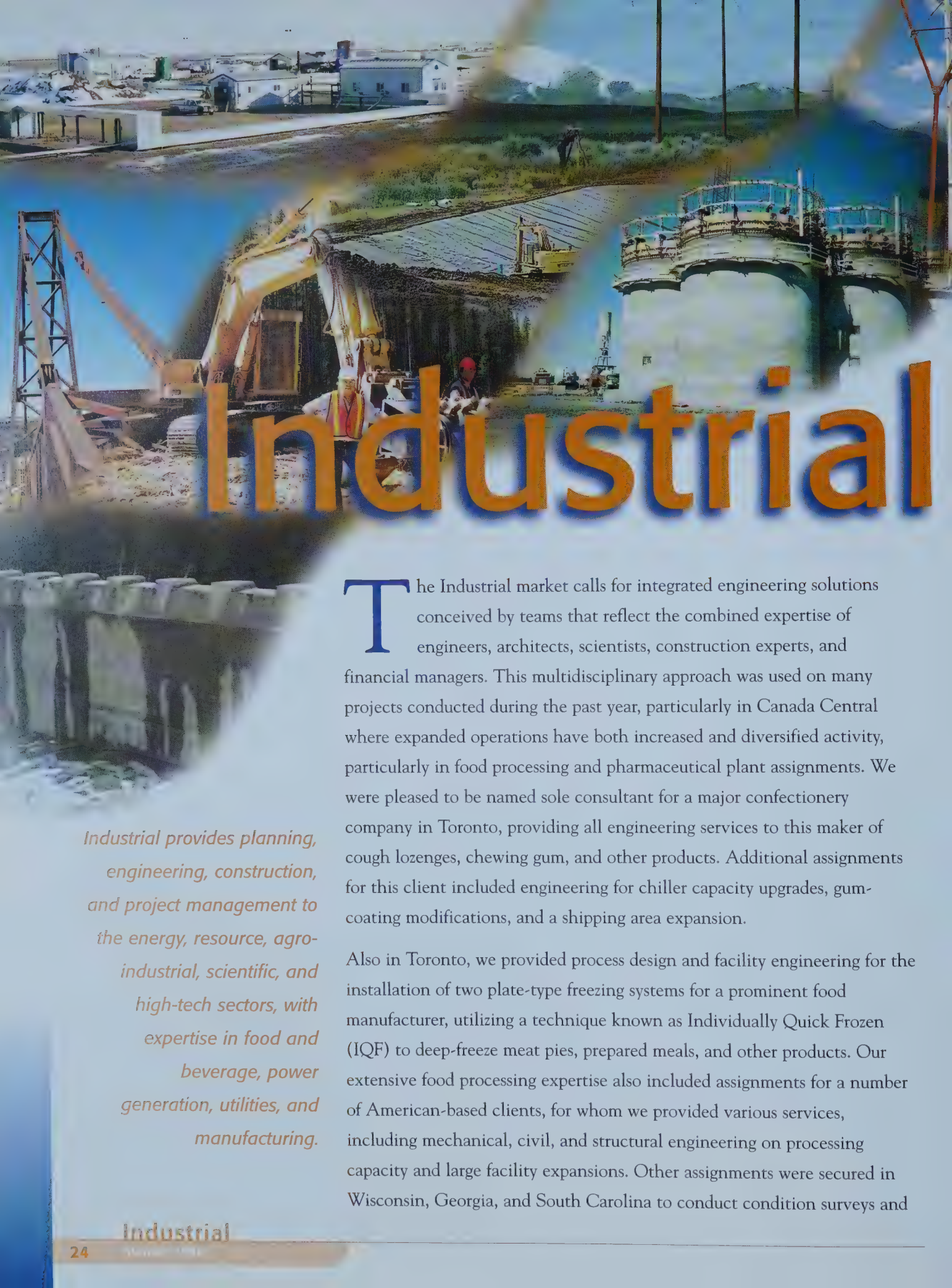
#### **Silhouette**

*Recreational development continued in several regions, including Ontario’s scenic resort area of Muskoka renowned for its rugged natural beauty.*



**Urban Land**





# Industrial

*Industrial provides planning, engineering, construction, and project management to the energy, resource, agro-industrial, scientific, and high-tech sectors, with expertise in food and beverage, power generation, utilities, and manufacturing.*

The Industrial market calls for integrated engineering solutions conceived by teams that reflect the combined expertise of engineers, architects, scientists, construction experts, and financial managers. This multidisciplinary approach was used on many projects conducted during the past year, particularly in Canada Central where expanded operations have both increased and diversified activity, particularly in food processing and pharmaceutical plant assignments. We were pleased to be named sole consultant for a major confectionery company in Toronto, providing all engineering services to this maker of cough lozenges, chewing gum, and other products. Additional assignments for this client included engineering for chiller capacity upgrades, gum-coating modifications, and a shipping area expansion.

Also in Toronto, we provided process design and facility engineering for the installation of two plate-type freezing systems for a prominent food manufacturer, utilizing a technique known as Individually Quick Frozen (IQF) to deep-freeze meat pies, prepared meals, and other products. Our extensive food processing expertise also included assignments for a number of American-based clients, for whom we provided various services, including mechanical, civil, and structural engineering on processing capacity and large facility expansions. Other assignments were secured in Wisconsin, Georgia, and South Carolina to conduct condition surveys and



due diligence inspections on refrigerated and frozen food plants and warehouses.

Activity in other manufacturing sectors was also strong. We conducted utilities capacity and cogeneration studies for the Michelin Tire facility in Kitchener that included steam, chilled water, compressed air, cooling water, natural gas, and electrical power. In Cambridge, we provided design and consultation on cement silos, and completed a predevelopment review and postdevelopment certification under the Occupational Health and Safety Act, Regulation 450, for an automated interlocking paving stone palletizing operation.

In the key industrial center of Hamilton, we undertook several projects, including an After Pot Cooling Tower Modifications assignment required to speed up production lines; a Plant Modifications assignment required to install new product lines; and a Restoration/Expansion assignment for National Steel Car, which included process system upgrades, building restorations, and several expansions.

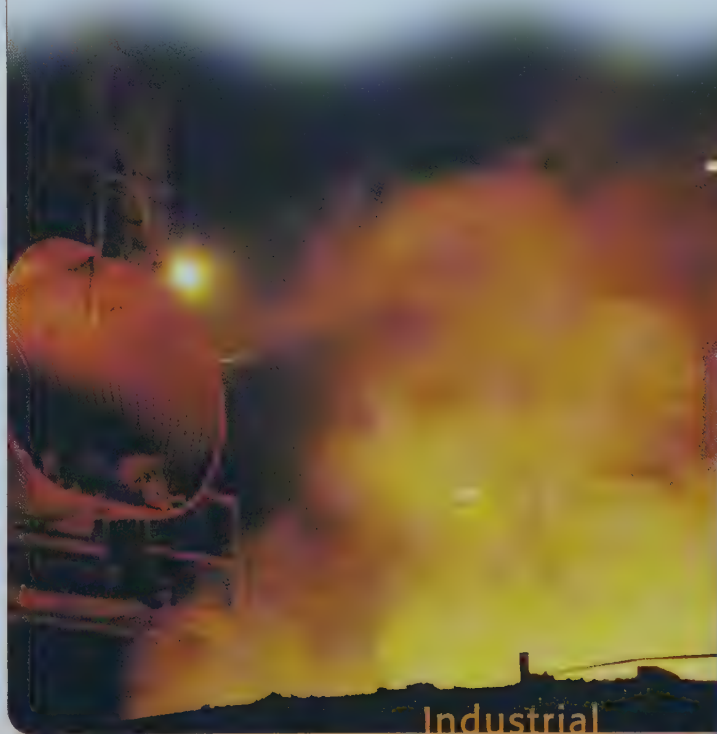
Solutions for the steel industry were also provided through environmental expertise, particularly in the area of clean air technology, increasingly in demand the world over. We are supplying air quality services for a Secondary Fume Control System Design in Timoteo, Brazil. The design incorporates control of hot metal charging, tapping and deslagging emissions, as well as control of blowing emissions, with primary engineering in progress for design of a secondary hood, fan and baghouse system, and a vessel enclosure.

The utilities sector saw a number of related undertakings throughout the regions. In Canada Central, we continued work for the Kagiano Twin Falls Hydro Station on the Pic River in northern

## Adding Value

### TECHNOLOGY PROFILE

The proprietary Goodfellow EFSOP<sup>®</sup> technology is designed to optimize the steelmaking process and reduce contaminant emissions from electric arc furnaces. Original research development for the breakthrough technology was carried out at the Co-Steel Lasco plant in Whitby, Ontario, co-partnered by Co-Steel, Natural Resources Canada, and the Ontario Ministry of Environment and Energy. The award-winning reputation of Goodfellow EFSOP<sup>®</sup> continues to gain international notice. Recently, we completed the installation of two permanent Goodfellow EFSOP<sup>®</sup> systems at Sheerness Steel (now ASW Holdings) in Kent, UK. The project, which involved three phases, included system installation, closed loop control system, and neural network application. The installation is a true benchmark for the industry—it is the first application of closed loop and neural network prediction model based on online analysis of off-gas for a production furnace. In addition to its environmental benefits, the Sheerness installation represents significant operating cost savings to the client.



Industrial



# Meat Processing

CENTER OF EXCELLENCE



One of Stantec's growing areas of expertise is in engineering capabilities related to food processing—a prime illustration being our Center of Excellence for Meat Processing, based in Kitchener, Ontario. Our experts have a number of successes to their credit, both in Central Canada and elsewhere. One of our most prominent achievements to date was last year's Phase I completion of a world-class hog processing plant for J.M. Schneider in Winnipeg. The \$20 million facility is expected ultimately to be one of the largest meat processing plants in North America. Following on this project's heels has been another major contract award to provide engineering and project management on a \$13 million hog processing plant capacity expansion for a well-known meat processor in Burlington, Ontario. The contract will include process, mechanical, electrical, civil, architectural, structural, and environmental services. In a province with a \$4.5 billion-a-year pork industry, the Burlington plant is the largest of its kind, exporting pork products to more than 70 countries each year. Other projects underway are the construction of Phase I of a new meat processing plant in Waterloo, as well as process design for a veal slaughter and processing plant in Montreal.

Ontario, where we are providing design and contract administration of all civil and structural services.

In the southwestern US, we provided a variety of surveying and mapping services over a four-year period for a 345 kV Electric Transmission Line Project from northern California to Reno. Spanning a distance of some 256 km (159 mi), the project called for extensive route selection and analysis, route mapping, and right-of-way surveying, as well as environmental resource mapping and construction stakeout. Similar surveying and mapping services were performed for a major telecommunications company on a 250 km (155 mi) underground fiber optic cable project routed through western Nevada. In northern British Columbia, we completed the final phase of construction management on the Kemess Mines 230 kV Transmission Line. The \$75 million project included construction of the line some 390 km (242 mi), well into the rugged northern terrain, to reach the Kemess Mines site.

A number of projects were underway for the Alberta oil and gas sector. We provided progress assessments for the Newalta Hughenden Cavern No. 5 Development Project. Measuring 100 000 m<sup>2</sup> (1 076 000 ft<sup>2</sup>), the cavern wash process used a sophisticated pump design with exceptionally powerful pump discharge pressure. In addition to supplying an innovation allowing for an economic source of cavern washing fluid, the project marked the first application of this pump design and its associated control system.

As well, we completed the provision of technical services for the Husky Oil Sand Disposal Cavern in Lloydminster. By developing a salt cavern and surface facilities to dispose of oily wastes, we offered an environmentally sensitive solution to a potentially

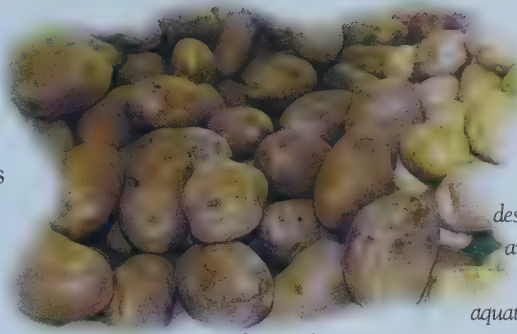


large waste disposal problem. The process involves the flushing of fresh water through the cavern and conveying salt back to the surface as a brine solution. Once the cavern shape has taken form, the water conveys sand as a slurry down into the formation. The disposal cavern is 60 m (197 ft) in diameter with a total capacity of some 300 000 m<sup>3</sup> (3 228 000 ft<sup>3</sup>).

Elsewhere in Alberta, work continued in providing engineering enhancements and commissioning assistance at the new Fernz

*We offer a full range of services to the Industrial market, working with clients from diverse sectors to achieve project objectives within cost and time constraints*

SulFer Works plant in Irricana, and we provided services for the Class II Oilfield Landfill Development and Expansion in Mitsue, east of Slave Lake. Through redesign of the existing onsite waste cells and use of technical innovation to create a landfill cell base below the groundwater table, we were able to provide improved containment of existing wastes, as well as a more cost-effective operation and greater utilization of the landfill property.



We assembled a multidisciplinary team to support fast-track construction of the \$100 million Lamb-Weston Potato Processing Plant near Taber, Alberta. Stantec experts supplied water and wastewater treatment design, structural design, transportation, architecture, industrial, and civil site works, as well as permitting and licensing, archeological assessments, and aquatic biology. The team was responsible for the design of two process water storage lagoons the size of 35 football fields—the largest in Stantec's history. The Lamb-Weston plant has a process capacity of some 900 tonnes of raw potatoes per day, designed to meet domestic and export demands.

### Quality of Life

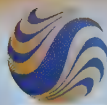
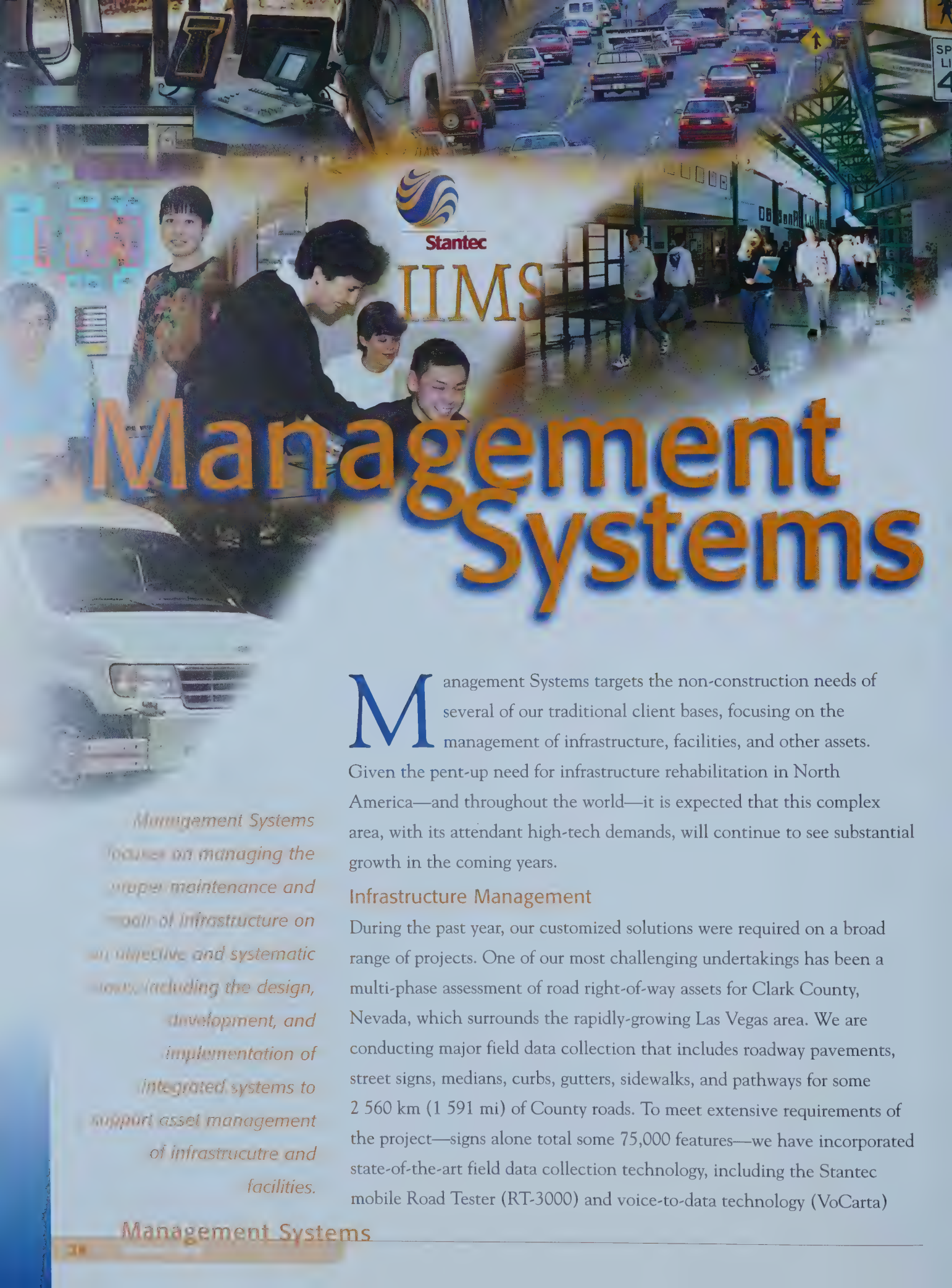
Sometimes we don't have to venture very far from the everyday to illustrate Quality of Life. Grocery shopping may be just one more household task we tend to take for granted, but the next time you reach into the freezer compartment of your local grocer, take a moment to consider what it takes to put those quality frozen products at your fingertips. Ontario-based Stantec specialists know the procedure well since they are experts in designing freezing systems that utilize the Individually Quick Frozen (IQF) technique to deep-freeze prepared meals and other products. IQF is just one of many food processing steps involved in getting products from the manufacturing facility to your favorite grocer's shelf.



#### Silhouette

The rough Nevada terrain presented several challenges in basemap preparation on the Fiber Optic Line Project from Tonopah to Specter Mountain.





Stantec

IIMS

# Management Systems

*Management Systems focuses on managing the proper maintenance and repair of infrastructure on an objective and systematic basis, including the design, development, and implementation of integrated systems to support asset management of infrastructure and facilities.*

**M**anagement Systems targets the non-construction needs of several of our traditional client bases, focusing on the management of infrastructure, facilities, and other assets.

Given the pent-up need for infrastructure rehabilitation in North America—and throughout the world—it is expected that this complex area, with its attendant high-tech demands, will continue to see substantial growth in the coming years.

## Infrastructure Management

During the past year, our customized solutions were required on a broad range of projects. One of our most challenging undertakings has been a multi-phase assessment of road right-of-way assets for Clark County, Nevada, which surrounds the rapidly-growing Las Vegas area. We are conducting major field data collection that includes roadway pavements, street signs, medians, curbs, gutters, sidewalks, and pathways for some 2 560 km (1 591 mi) of County roads. To meet extensive requirements of the project—signs alone total some 75,000 features—we have incorporated state-of-the-art field data collection technology, including the Stantec mobile Road Tester (RT-3000) and voice-to-data technology (VoCarta)

Management Systems



that interfaces to GIS mapping and GPS technology. The RT-3000 supports the semi-automated collection of pavement surface distress, roughness and rut data, as well as video logging.

A similar project is underway in Jefferson Parish, Louisiana, which surrounds the City of New Orleans, where we are providing management consulting services to implement a Transportation Management System. Among other tasks, we are developing a roadway referencing system to support integrated

*We are recognized international leaders in designing and implementing asset and work management systems for infrastructure and facilities*

transportation management and GIS and conducting analysis of pavement assets, including pavement performance assessments, repair strategy analysis, and required budget appropriation analysis for roadway repair and maintenance.

Major road assessment projects were also conducted in Saskatchewan and British Columbia last year. A Roughness Survey for the Saskatchewan Department of Transportation involved the collection of roughness data on some 19 000 km (11 807 mi) of highways and secondary roads, with all data processed and electronically delivered from the field within strict time constraints. The British Columbia major road assessment took place in the lower mainland of British Columbia, where a newly formed Greater Vancouver Transportation Authority (GVTA) is charged with the responsibility of administering a substantial segment of existing provincial and major municipal roadways. Involving an overlap of provincial and municipal authority jurisdictions, some 18 different municipalities were impacted. Our work included roughness and pavement distress testing, structural adequacy testing, attribute gathering on

## Adding Value

### ACQUISITION PROFILE



The acquisition of the architectural firm Laird Polson augmented Management Systems in the Facilities Management area particularly in utilizing various Computer Aided Facility Management (CAFM) systems software. Supporting the integration of CAD and corporate databases, CAFM achieves optimal asset management of buildings and other structures such as parkades. CAFM promotes primary facility objectives by addressing issues like strategic planning, space management, move management, department chargebacks, churn rates, and employee directory tracking. In practical terms, CAFM facilitates the maintenance of vital data on buildings and leases, while creating and analyzing alternative scenarios that translate into efficiencies and cost savings to the owner. Standard CAFM systems, augmented by our specialized software applications, have proven to be invaluable in the area of building management, performance engineering, and commissioning/testing. Our experts are able to offer a range of services related to Facilities Management, including management consulting, design and construction, and operations and maintenance services. Clients who have benefited from our Facilities Management expertise include Canadian Airlines International, Canadian Pacific, Nortel, Suncor, Mobil Oil, PanCanadian Petroleum, as well as various school boards.

Management Systems



*In Las Vegas, we are utilizing VoCarta, developed by Datria Systems of Englewood, Colorado—for whom Stantec is an exclusive distributor in Canada as well as a global Value Added Reseller—to enter commands and data into a computer by speaking into a head-set microphone, significantly increasing productivity and efficiency.*



affected roadways, and identifying various budget stream effects on the future condition of the network. The project establishes a benchmark condition on the extensive road network and forecasts rehabilitation and budget requirements.

## Quality of Life

*In its most basic sense, Quality of Life can mean safeguarding life. When the 1999 Pan Am Games are held this summer in Winnipeg, Stantec engineers will have played a small but significant part in that role by contributing to public safety. Our systems specialists have provided services as well as proprietary software to support an emergency call center for the games. Involving 5,000 competitors and 15,000 volunteers, the games are expected to swell Winnipeg's population by 30% during July and August, and the City has been diligently preparing various advance contingencies. The call center will consist of an extensive systems network that will provide one more means of addressing potential emergency requirements during the games.*

In Nova Scotia, we carried out the design of a Transportation Management Information System (TMIS) for the provincial Transportation and Public Works Department. The system will include components for Traffic Census, Safety Management, Pavement Management, and Bridge Management, and will be implemented in each of four district offices, as well as in the Halifax head office.

Stantec procured a major contract award from the Ontario Ministry of Transportation to develop a new Bridge Management System (BMS) supporting the most extensive and highly traveled highway network in Canada. BMS technology is a powerful analytical tool that has the capacity to assess bridge inventory data, inspection data, condition ratings, deterioration rates, load ratings, and structural and functional appraisals. With the new Ontario BMS, the Ministry will be able to forecast needs and optimize use of current and future funds for bridge maintenance, rehabilitation, and replacement.

## Facilities Management

Currently targeted to Western Canada, we were involved in several Facilities Management projects during 1998 requiring customized applications of Computer Aided Facility Management (CAFM) technology. Our experts have worked closely with Calgary-based PanCanadian Petroleum over the past seven years to support

### Silhouette

*Our integrated software applications for Work Management, Parts and Warehouse Management, and Infrastructure Management will support increased municipal systems demands when Ogden City, Utah, located adjacent to Salt Lake City, hosts a portion of the 2002 Winter Olympic games.*





their Facilities Management activities with CAFM applications, offering a central point of focus in areas ranging from developing space use strategies to establishing building operation cost-controlling measures.

During 1998, we also implemented a complete Facilities Management solution for Alberta's Rockyview School Division No. 41. This assignment utilized all elements of our traditional CAFM services as well as our architectural expertise to meet requirements that included creating CAD drawings from as-builts, maintaining building audit information, planning a preventative maintenance system, and performing interior design activities. Our successful implementation of this system has been used as a benchmark in facilities planning processes currently underway with other institutions, including Edmonton Public Schools and the Calgary Board of Education.

The Saskatchewan Opportunities Corporation (SOCO) project represents full scale commissioning management for architectural, mechanical, and electrical systems, with a goal of achieving one commissioning process that is standardized on five different projects, each with its own consulting team. Utilizing the STANcheck commissioning check sheet management program, we are coordinating contractor testing and consultant witnessing, preparing third party testing documentation, and reporting on the progress of the facility commissioning program. The program will also track outstanding issues and deficiencies through to resolution. As well as training SOCO staff in commissioning and in use of the program, we will be partnering with SOCO to develop further electronic applications.

## Infrastructure Management

CENTER OF EXCELLENCE

Our Center of Excellence in Infrastructure Management is in many ways unique within the industry. Established originally in Cambridge, Ontario, and more recently in Phoenix, our team of specialists are able to offer combined expertise in infrastructure management, systems development, bridge engineering and maintenance, and geographical information systems, both domestically and internationally. Focusing on the maintenance of various forms of infrastructure, core capabilities include planning and modeling, data collection, software and hardware implementation, as well as training and support. One of our most sophisticated technical achievements in Infrastructure Management has been the Kuwait Infrastructure Maintenance Management System (KIMMS). A multi-year undertaking, KIMMS has included pavement, storm and sanitary networks, bridges, and right-of-way assets in an integrated model for an entire country.





# Management's Discussion and Analysis

This discussion and analysis of operations and financial position should be read in conjunction with the Company's 1998 Consolidated Financial Statements and related notes, as well as the Message to Shareholders and Management's discussions contained throughout the 1998 Annual Report.

## Overview

During 1998, Stantec continued to focus on a strategy of growth by acquisition, purchasing the shares or businesses of nine companies. The effect of these nine acquisitions and the five acquisitions completed in 1997 resulted in the significant increase in revenue reported by the Company in 1998. The acquisitions completed in 1997 and 1998 increased our presence in the United States and Central Canada and increased the depth and variety of services offered by the Company.

In 1998, the Company initiated a Normal Course Issuer Bid through the Toronto Stock Exchange, which will allow the Company to purchase up to 589,468 of its Common shares—about 10% of the public float. The Company believes that, from time to time, the market price of our common shares does not fully reflect the value of our business and our future business prospects and that, at such times, outstanding Common shares represent an attractive, appropriate and desirable use of available Company funds. In 1998, the Company purchased 40,800 Common shares at an average price of \$11.24 per share, for an aggregate cost of \$458,576.

## Key Operating Results

As disclosed in the Notes to the Consolidated Financial Statements, the Company changed its accounting policies with respect to revenue recognition and income taxation. These policies have been retroactively applied and, as a result, the Consolidated Financial Statements for prior years have been restated to reflect those changes. The following table summarizes the effects these changes have had on certain of the 1998 and 1997 balance sheet and income statement accounts (for further detail, please refer to Note 1 of the 1998 Consolidated Financial Statements):

(in thousands of dollars, except per share amounts)	1998 Increase (Decrease)	1997 Increase (Decrease)
Work in progress	9,146	7,001
Future income tax assets	(4,253)	(3,645)
Goodwill	(1,354)	(554)
Retained earnings	3,615	2,881
Gross revenue	5,670	2,027
Net revenue	2,954	2,079
Net income	734	299
Earnings per share	0.08	0.04
Earnings per share – fully diluted	0.07	0.05

Stantec's core business is the provision of professional engineering, planning, management and scientific consulting services, principally under "fee-for-service" agreements with clients. In performing its services, the Company incurs certain direct costs for sub-consultants, equipment purchases and other items which are recoverable directly from the client. The amount of these costs directly billed to the clients are



included in the Company's gross revenues with the cost of such items deducted from gross revenues to arrive at net revenues. The Company believes that net revenue is a more accurate measure of revenue earned for services provided directly by the Company.

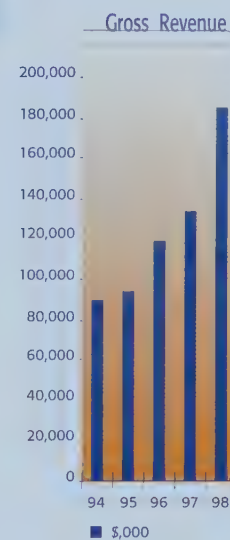
The following table summarizes the Company's key operating results on a percentage of net revenue basis and the percentage increase in the dollar amount of these results from year to year.

	Percentage of Net Revenue			Percentage Increase	
	1998	1997	1996	1998 vs. 1997	1997 vs. 1996
Gross revenue	<b>124.5%</b>	135.7%	145.5%	<b>38.9%</b>	11.9%
Net revenue	<b>100.0%</b>	100.0%	100.0%	<b>51.3%</b>	20.1%
Direct payroll costs	<b>48.1%</b>	48.1%	48.1%	<b>51.4%</b>	19.9%
Gross margin	<b>51.9%</b>	51.9%	51.9%	<b>51.1%</b>	20.2%
Administrative and marketing expenses	<b>40.4%</b>	39.1%	38.3%	<b>56.1%</b>	22.7%
Depreciation and amortization	<b>2.5%</b>	2.2%	2.0%	<b>69.1%</b>	33.0%
Operating income	<b>9.0%</b>	10.6%	11.6%	<b>28.9%</b>	9.7%
Income taxes	<b>4.0%</b>	4.8%	5.2%	<b>28.3%</b>	11.1%
Net income	<b>4.8%</b>	5.7%	6.2%	<b>27.9%</b>	9.9%

## Gross Revenue

Gross revenue for 1998 increased \$51.9 million or 38.9% to \$185.5 million from \$133.6 million in 1997. Acquisitions completed in 1997 and 1998 contributed \$56.8 million to this increase with reductions in Design Build revenues (\$3.4 million) and other Consulting Services revenues (\$1.5 million) comprising the difference. Gross revenue for 1997 increased \$14.3 million or 11.9% from \$119.3 in 1996. Acquisitions during 1997 accounted for \$7.2 million of the increase with increases in other Consulting Services revenues of \$12.8 million offset by reductions in Design Build revenues of \$5.8 million.

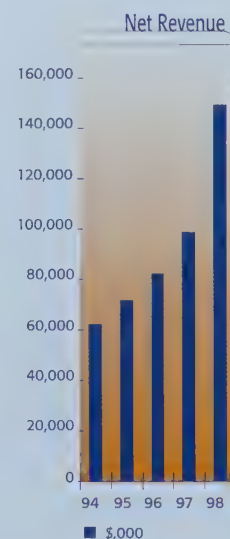
Revenue earned in Canada during 1998 increased to \$134.7 million from \$95.4 million in 1997. Revenue earned in the United States increased in 1998 to \$39.2 million from \$24.6 million in 1997. International revenue decreased to \$11.6 million in 1998 from the 1997 level of \$13.6 million.



## Net Revenue

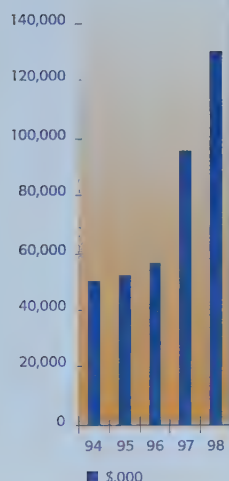
Net revenue increased \$50.4 million or 51.3% to \$148.9 million from \$98.5 million in 1997. Acquisitions completed in 1997 and 1998 contributed \$47.5 million to this increase with other Consulting Services and Design Build contributing \$2.1 million and \$0.8 million, respectively. Net revenue in 1997 increased \$16.5 million from \$82.0 million in 1996. The 1997 growth in net revenues resulted from acquisitions completed in 1997 (\$6.2 million), internal growth in 1997 of \$11.7 million and a reduction in net revenue from Design Build of \$1.4 million.

The Company measures backlog as the value of net revenues which have not yet been earned on confirmed projects. At December 31, 1998, the value of the net revenue backlog was \$130.5 million, compared to \$96.2 million at the end of 1997.

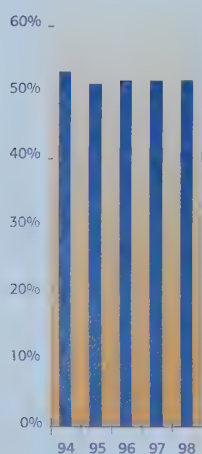




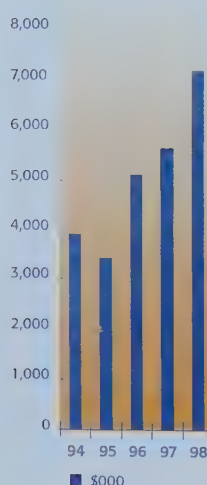
Backlog



Gross Margin %



Net Income



## Gross Margin

Gross margin is calculated as net revenue less direct payroll costs. Direct payroll costs include the costs of salaries and the related fringe benefits for labour hours directly associated with the completion of projects. Labour costs and the related fringe benefits for labour hours not directly associated with the completion of projects are included in administrative and marketing expenses.

Gross margin, as a percentage of net revenues, was 51.9% for each of 1998, 1997 and 1996. The increase in gross margin in 1998 was \$26.2 million and in 1997 was \$8.6 million.

## Administrative and Marketing Expenses

Administrative and marketing expenses were \$60.1 million in 1998 or 40.4% of net revenue compared to \$38.5 million (39.1% of net revenues) in 1997. 1997 administrative and marketing expenses increased \$7.1 million from \$31.4 million in 1996 (38.3% of net revenues).

The increase in administrative and marketing expenses results primarily from the significant acquisitions completed in both 1997 and 1998. In 1997, integration and standardization of acquired operations contributed to the increased expenses in 1997 and early in 1998. With the additional acquisitions made in 1998, the Company began an in-depth process of standardization across the Company. This standardization included all aspects of the operations from marketing materials to management information systems. In 1998, a new accounting and management information system was identified and conversion of the systems began in mid-1998. As part of the conversion and standardization, significant investments were made in computer software and hardware as well as additional investments in staff to provide support throughout the process and into the future as the Company continues to grow. It is expected that this process and associated costs will continue into 1999 until such time as standardization and full implementation is complete.

## Income Taxes

The effective tax rate in 1998 was 45.6% compared to 45.5% in 1997 and 45.2% in 1996. In 1998, the Company changed its accounting policy with respect to accounting for income taxes from the deferral method to the liability method (as described in Note 1 to the Consolidated Financial Statements). This change was accounted for retroactively, resulting in more consistent effective tax rates for 1996 through 1998. There are two significant items which comprise the difference between the effective tax rates above and the statutory rate of 44.6%. The first is a reduction in our effective tax rate on income earned and taxed in the United States. The second is the impact of items which are not deductible for tax purposes, including amortization on goodwill and certain promotion costs.

## Net Income

Net income for 1998 was \$7.2 million, a 27.9% increase from 1997 net income of \$5.6 million. 1997 net income increased 9.9% from 1996 net income of \$5.1 million. As a percentage of net revenues, 1998 net income was 4.8% compared to 5.7% in 1997 and 6.2% in 1996. The decrease in net income as a percentage of net revenue is attributable to the increase in the administrative and marketing and depreciation and amortization expenses over the last two years.



Earnings per share in 1998 were \$0.99 compared to \$0.91 in 1997 and \$0.86 in 1996. The weighted average number of shares utilized in the calculation of the earnings per share was 7,229,977 in 1998; 6,149,629 in 1997; and 5,928,000 in 1996. The change reflects the issuance of common shares in the fourth quarter of 1997 and the effect of the Normal Course Issuer Bid entered into in 1998.

## Financial Condition and Liquidity

Cash generated from operating activities in 1998 was \$12.0 million compared to \$0.2 million in 1997. This significant change is due mainly to the change in the non-cash working capital balances from 1997 to 1998 (\$9.0 million) and the increase in the net cash flow from operations before showing the effect of the change in non-cash working capital (\$2.8 million). In 1997, the cash from operating activities decreased \$3.9 million from the 1996 cash from operations of \$4.1 million. This change was primarily due to the net increase in operating working capital related to the growth in revenues and to acquisitions during 1997.

Cash used in investing activities in 1998 was \$10.5 million as compared to \$13.9 million expended in 1997. Of this difference, \$1.7 million is due to an increased investment in capital assets of the Company required to ensure technology of companies acquired in 1997 and 1998 was consistent with the technology utilized throughout Stantec. This increased investment in capital assets was offset by a reduction in the cash used in business acquisitions in 1998 as compared to 1997 (\$5.1 million). Cash used in investing activities in 1997 was \$10.8 million higher than the \$3.1 million utilized in 1996. This was due to the increased number of acquisitions completed in 1997 as compared to 1996.

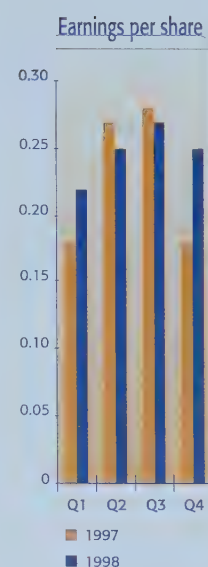
Cash used in financing activities was \$3.0 million compared to cash flow provided from financing activities in 1997 of \$20.3 million and cash flow used in 1996 of \$2.6 million. In 1997, the Company completed a private placement offering of special warrants (exchangeable into Common shares) for net proceeds of \$14.2 million as well as obtaining bank financing in the amount of \$6.3 million to finance acquisitions made in 1997. The remaining difference between 1998, 1997 and 1996 is explained by the increase in the repayments of long-term debt in each of the years. The repayments were mainly on promissory notes issued to finance acquisitions.

The Company continues to maintain an operating line of credit with a major Canadian chartered bank in the amount of \$20.0 million, of which none had been utilized at December 1998 or 1997. In addition, the Company has a line of credit designated for acquisitions of US\$10.0 million, of which US\$4.4 million was utilized at December 31, 1998 and 1997. Long-term debt increased to \$15.6 million in 1998 from \$13.2 million in 1997, reflecting the effect of the acquisitions made in 1998 less repayments on debt in 1998 of \$3.0 million.

Shareholders' equity increased \$6.7 million in 1998 to \$55.8 million from \$49.1 million in 1997 due mainly to the net income of \$7.2 million less the \$0.5 million invested by the Company in repurchasing 40,800 Common shares under the Normal Course Issuer Bid.

## Acquisitions

The Company completed nine acquisitions in 1998 for total consideration of \$10.8 million continuing the Company's strategy of growth by acquisition and industry consolidation. In February 1998, the Company acquired the assets of Barry Johns Architects Ltd. and WSAG Architects, prominent architectural firms with offices in Edmonton, Calgary and Vancouver. In April, the assets of Laird Polson Architecture Interior Design Facility Management were acquired to supplement the previous two acquisitions. The three acquisitions commenced operations under a new entity named Stantec





Architecture Ltd. In March 1998, the shares of Hamilton-based Parenco Limited (C.C. Parker Consultants Limited) were acquired. Parenco specializes in the buildings, land development, environmental and industrial sectors. The shares of LaFontaine, Cowie, Buratto & Associates Limited (LCBA), with offices in Windsor and London, were acquired in April. LCBA has proven expertise in the areas of water and wastewater treatment, municipal, drainage, structural, mechanical and electrical engineering. In June, the shares of Walker Consulting Group Ltd. were acquired to augment the Company's existing Urban Land practice in Northern Alberta. In November, the acquisition of Loeppky & Associates Surveyors Inc., based in Calgary, enhanced the land development and survey capabilities of our existing practice in southern Alberta. The shares of Phoenix-based Kaminski-Hubbard Engineering, Inc. were acquired in July 1998 to augment the transportation practice in the southwestern United States. In August, the shares of Goodfellow Consultants Inc., a Greater Toronto Area specialty consulting firm, were acquired. Goodfellow is based in Mississauga and renowned for its expertise in the fields of industrial air environmental control, occupational health and safety, and indoor air quality, as well as the proprietary technology named Electronic Furnace System Optimization Process (EFSOP®), a computer-based system developed for arc furnace steelmakers to lower costs, save energy, and affect post-combustion control. The acquisitions represent a combined addition to total staff of the Company of nearly 350, bringing the total staff at year-end to some 2,000.

## Risk Management

In the normal course of its business, Stantec is exposed to a number of risks that can affect its performance. These risks, and the actions taken to minimize them, are discussed below.

### Competition

Many of the contracts entered into by the Company have a long lead time associated with planning and marketing. The Company protects itself to some extent by entering into a diverse range of contracts with a wide range of fee amounts. There can be no assurance that in the future the Company will not face greater competition from international, national, or regional competitors. The Company is engaged in highly competitive markets in

many of its service areas. The Company competes with both large and small firms, although no single firm is dominant in any of the Company's primary service areas. There can be no assurance that the Company's revenues and results of operations would not at some point be adversely affected by these competitive forces. The Company believes that its operating structure, its technology, and the breadth of its professional services differentiates it from other engineering and professional consulting firms. The Company believes that providing a diverse portfolio of services to clients in various industries and sectors of the economy, both private and public, will minimize its exposure to or dependency on any particular industry or economic sector.

### Human Resources

The Company currently operates primarily in the "fee-for-service" business. The Company depends on its ability to attract, retain, and motivate its management team and other employees. The Company believes that its compensation plans are innovative, flexible, and designed to reward top performance, but there can be no assurance that the Company's current compensation packages will be sufficient to ensure the continued availability of qualified personnel.

### Protection of Proprietary Rights in Technologies

The Company relies primarily upon trade secret laws to protect its proprietary rights in its specialized technologies. In addition, there can be no assurance that the protection provided to its proprietary technology by the laws of foreign jurisdictions would be substantially similar to the remedies available to the Company under the laws of Canada and the United States.

### Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out its projects.

### Factors Affecting Operating Results

Stantec's operating results are affected by a wide variety of factors that could materially affect revenues and profitability, including the timing and cancellation of client orders and projects, competitive pressures on project prices, availability of materials and staff, market



acceptance of the Company's services and international economic fluctuations. As a result of the foregoing factors, Stantec may experience material fluctuations in future operating results on a quarterly or annual basis that could materially affect its business, financial condition and operating results.

### Accounts Receivable

As is common in the engineering consulting industry, Stantec carries a high level of accounts receivable on its balance sheet. This value is spread among numerous contracts and clients worldwide. Although the Company has not experienced accounts receivable collection problems in the past, there can be no assurance that outstanding accounts receivable will be paid on a timely basis or at all.

### Foreign Operations

The Company conducts a portion of its business outside of North America. This work involves political risks, contracts with foreign clients, and working under foreign legal systems.

### Exchange Rate Risk

The Company's operating results are reported in Canadian dollars. A portion of the Company's revenues and expenses are generated or incurred in US dollars. The exchange rate between the Canadian and US dollar has varied significantly over the past five years. To the extent that US dollar revenues are greater than US dollar expenses in a strengthening US dollar environment, there will be a positive impact on the Company's income from operations. Conversely, to the extent that US dollar revenues are greater than US dollar expenses in a weakening US dollar environment, there will be a negative impact on the Company's income from operations. This exchange rate risk, on an annual basis, primarily reflects the impact of fluctuating exchange rates on the net difference between total US dollar revenues and US dollar expenses. It is anticipated that this will be a continuing risk in the future as the Company continues to expand in the United States. There are no material transactions generated or incurred in currencies other than Canadian or US dollars.

### Insurance

The Company's operations are subject to the risk of third party claims in the normal course of its business, some of which may be substantial. Although the Company believes that it has made adequate arrangements for insuring against these risks, there is no assurance that these arrangements

will sufficiently finance any particular claim or claims. Moreover, the Company may become subject to liability that cannot be insured against or against which the Company may choose not to insure because of high premium costs or for other reasons. The Company maintains insurance coverage for its operations, including professional liability insurance. The maximum coverage under its professional liability insurance is generally \$10 million per claim and per annum. Project specific insurance for larger projects is also obtained from time to time.

## Year 2000 Readiness

### General

The Year 2000 issue is the risk that computer programs using two-digit date fields will fail to properly recognize the year 2000, causing incorrect results or failure in systems performing arithmetic or logical operations on date fields. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. Such computer system failures could lead to business interruptions for customers, suppliers, governments and other service providers.

Stantec initiated its response to the Year 2000 issue in 1995 and has organized a multidisciplinary project team to assess the Company's Year 2000 readiness and prepare appropriate responses to achieve Year 2000 readiness by mid-1999. Stantec's Year 2000 project team reports regularly to a Year 2000 Steering Committee chaired by the Company's President and CEO. Stantec's Year 2000 program has set out a process and schedule for identifying and resolving Year 2000 related concerns and includes documentation, reporting and a tracking system.

### State of Readiness

During 1998, Stantec identified Year 2000 related systems and initiated a program of assessment, remediation and testing. All mission-critical systems, such as Stantec's financial systems, human resources systems, e-mail systems, telephone and voice mail systems and all corporate file servers have been assessed and all related remedial actions and testing are targeted for completion by mid-1999. Stantec expects to complete its review, remediation and testing of other Year 2000 systems by this time as well. An



assessment of the readiness of third parties, such as customers, suppliers, and others, is ongoing. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. Contingency plans will be developed as required based on the results of the testing program. Stantec believes that it has adopted a reasonable and prudent strategy for dealing with the Year 2000 issue. Based on the progress of the Year 2000 program to date, Stantec has determined its exposure to Year 2000 risk in its mission critical systems is low to moderate, and the Company believes that it will not experience a material adverse effect on its business as a result of Year 2000 issues. It should be noted, however, that given Stantec's involvement with third parties, including clients, sub-consultants, governments, utilities, outside service providers and others in the economic chain with respect to Year 2000 issues, there can be no assurance that the Year 2000 readiness effort by Stantec will be successful.

### Costs

Based on the review carried out to date, the Company does not expect the costs of software replacement, modification or coordination related to achieving Year 2000 readiness to be material to its financial results or the results of its operations. The Company has an ongoing commitment to invest in technology-related capital assets and it is anticipated that all hardware expenditures related to Year 2000 will be covered by these annual costs. Costs related to coordination, testing and review of operations relate primarily to internal staff costs and these, together with our third party costs, are being expensed as they are incurred.

## Future Expectations

The Company will continue to grow by acquisition in our highly fragmented industry. The Company maintains a good working capital position and a strong balance sheet with a conservative debt to equity ratio. Our debt capacity positions us well to finance the acquisition of firms in new regions and in existing regions to diversify our services and to increase our depth of expertise. As we complete those acquisitions, we will continue the process of introducing our systems and seeking economies of scale through consistent policies and procedures.

The Company will continue to focus on public and private infrastructure. Each of our market segments depends on infrastructure spending in one or more phases of the infrastructure life cycle and all of them are impacted by general economic conditions. We expect economic growth in Western Canada to slow from the 1998 levels due to weak commodity prices, but we anticipate continued strength in capital spending in Ontario and in the Southwest US. International revenue accounted for approximately 6% of total revenue in 1998 and was not concentrated in any single region. As a result, little impact is expected from changes in any regional economy.

## Management Report

The Annual Report, including the Consolidated Financial Statements, is the responsibility of the management of the Company. The Consolidated Financial Statements were prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. The significant accounting policies used are described in Note 1 to the Consolidated Financial Statements. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by year-end, is the responsibility of management. Financial information presented elsewhere in this Annual Report has been prepared by management and is consistent with the information in the Consolidated Financial Statements.

Management is responsible for the development and maintenance of systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant and reliable, and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities and for final approval of the annual Consolidated Financial Statements. The Board has appointed an Audit Committee comprised of three Directors, none of whom is an officer or employee of the Company or its subsidiaries. The Audit Committee meets at least four times each year to discharge its responsibilities under a written mandate from the Board of Directors. The Audit Committee meets with management and with the independent auditors to satisfy itself that they are properly discharging their responsibilities, reviews the Consolidated Financial Statements and the Auditors' Report, and examines other auditing and accounting matters. The Consolidated Financial Statements have been reviewed by the Audit Committee and approved by the Board of Directors of Stantec Inc.

The Consolidated Financial Statements have been examined by the shareholders' auditors, Ernst & Young LLP, Chartered Accountants. The Auditors' Report outlines the nature of their examination and their opinion on the Consolidated Financial Statements of the Company. The independent auditors have full and unrestricted access to the Audit Committee, with and without management being present.



**A.P. Franceschini, P. Eng.**  
President & CEO



**D.W. Wilson, CA**  
Vice President & CFO



## Auditors' Report

To the Shareholders of  
**Stantec Inc.**

We have audited the consolidated balance sheets of Stantec Inc. (formerly Stanley Technology Group Inc.) as at December 31, 1998, and 1997, and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998, and 1997 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

*Ernst & Young LLP*

Chartered Accountants  
Edmonton, Canada  
February 19, 1999

## Consolidated Balance Sheets

As at December 31

	1998	1997
(in thousands of dollars)	\$	\$
		(restated)
<b>Assets</b> [note 2]		
<b>Current</b>		
Cash [note 2]	6,071	16,645
Accounts receivable	42,294	37,952
Work in progress	24,601	17,404
Prepaid expenses	1,349	1,257
Future income tax assets	2,753	1,482
	77,068	74,740
Capital assets [notes 3 and 4]	17,482	14,446
Investment in associated companies	2,619	2,537
Investments - other	937	841
Goodwill	12,790	8,225
Future income tax assets	1,552	2,583
	17,898	14,186
	112,448	103,372

## Liabilities and Shareholders' Equity

<b>Current</b>		
Bank indebtedness [note 2]		9,032
Accounts payable and accrued liabilities	26,357	20,217
Deferred revenue	7,377	3,660
Income taxes payable	534	2,026
Future income tax liabilities	4,820	3,919
Current portion of long-term debt	3,306	1,054
	42,394	39,908
Future income tax liabilities	1,999	2,245
Long-term debt [note 4]	12,272	12,173
	56,665	54,326

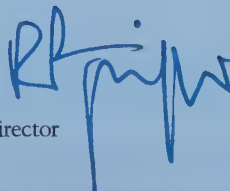
## Commitments and contingencies [notes 5 and 6]

### Shareholders' equity

Share capital [note 7]	42,855	43,087
Contributed surplus [note 7]	1,245	1,252
Retained earnings	11,683	4,707
	55,783	49,046
	112,448	103,372

See accompanying notes

On behalf of the Board:

  
Director

  
Director



## Consolidated Statements Of Income and Retained Earnings

Years ended December 31

	1998	1997
(in thousands of dollars)	\$	\$
		(restated)
<b>Income</b>		
Gross revenue	185,511	133,565
Less direct expenses	36,568	35,107
<b>Net revenue</b>	148,943	98,458
Direct payroll costs	71,657	47,324
<b>Gross margin</b>	77,286	51,134
Administrative and marketing expenses	60,105	38,500
Depreciation and amortization	3,746	2,215
	63,851	40,715
<b>Operating income</b>	13,435	10,419
Net interest expense	(489)	(389)
Share of income from associated companies	261	281
Income before income taxes	13,207	10,311
<b>Income taxes</b> [note 8]		
Current	5,882	4,372
Future	140	320
	6,022	4,692
<b>Net income for the year</b>	7,185	5,619
Retained earnings (deficit), beginning of the year	4,707	(912)
Shares repurchased [note 7]	(209)	
<b>Retained earnings, end of the year</b>	11,683	4,707

Earnings per share [note 9]

See accompanying notes

## Consolidated Statements of Cash Flows

Years ended December 31

	1998	1997
(in thousands of dollars)	\$	\$
		(restated)
<b>Cash Flows From Operating Activities</b>		
Cash receipts from clients	186,064	135,059
Cash paid to suppliers and employees	(166,694)	(131,071)
Distributions from equity investments	96	222
Interest received	2,930	1,721
Interest paid	(3,221)	(2,110)
Income taxes paid	(7,217)	(3,634)
<b>Cash flow from operating activities</b>	<b>11,958</b>	<b>187</b>
<b>Cash Flows From Investing Activities</b>		
Business acquisitions, net of cash acquired [note 10]	(6,718)	(11,827)
Net proceeds on disposition of investments	85	
Purchase of capital assets	(4,579)	(2,162)
Proceeds on disposition of capital assets	762	85
<b>Cash flow from investing activities</b>	<b>(10,450)</b>	<b>(13,904)</b>
<b>Cash Flows From Financing Activities</b>		
Repayment of long-term debt	(2,998)	(650)
Proceeds from long-term borrowings		6,294
Repurchase of shares for cancellation	(459)	
Current tax benefit of financing costs	396	449
Proceeds from issue of share capital	11	14,174
<b>Cash flow from financing activities</b>	<b>(3,050)</b>	<b>20,267</b>
Net increase (decrease) in cash and cash equivalents	(1,542)	6,550
Cash and cash equivalents, beginning of the year	7,613	1,063
<b>Cash and cash equivalents, end of the year</b>	<b>6,071</b>	<b>7,613</b>
<b>Cash and cash equivalents consists of:</b>		
Cash	6,071	16,645
Bank indebtedness		(9,032)
	<b>6,071</b>	<b>7,613</b>

See accompanying notes



# Notes to Consolidated Financial Statements

## 1. Summary of Significant Accounting Policies

The Consolidated Financial Statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

### Basis of consolidation

The Consolidated Financial Statements include the accounts of the Company and its subsidiary companies, all of which are wholly owned. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition. Associated companies are the Company's investments in entities which are not consolidated and over which the Company is able to exercise significant influence. These investments are accounted for using the equity method, which reflects the Company's investment at original cost plus its share of earnings net of dividends received.

Joint ventures are accounted for on the proportionate consolidation basis which results in the Company recording its pro rata share of the assets, liabilities, revenues and expenses of each of the joint ventures.

Other investments are recorded at cost.

### Foreign currency translation

Financial statements of foreign subsidiaries included in the Consolidated Financial Statements are translated as follows: monetary items at the rate of exchange in effect at the balance sheet date; non-monetary items at historical exchange rates; and revenue and expense items (except depreciation) at the average exchange rate for the year. Any resulting gains or losses are included in income.

### Financial instruments

The carrying values of financial assets and financial liabilities are considered to be approximate fair values except as otherwise disclosed in the financial statements.

### Accounts receivable

The Company provides services to diverse clients in various industries and sectors of the economy and the year-end balance of the accounts receivable is not concentrated in respect of any particular industry, economic or geographic sector.

### Revenue recognition and work in progress

Revenue is recognized as income at the time such services are provided using estimated billable amounts, adjusted to actual amounts when the account is rendered. In cases where amounts are billed and costs have not been incurred, revenue is deferred. Work in progress, representing fee revenue which has not been billed, is recorded at estimated realizable value.

### Capital assets

Depreciation and amortization are calculated at annual rates designed to write off the costs of the assets over their estimated useful lives as follows:

Engineering equipment	20% – 30%	declining balance
Office equipment	20% – 30%	declining balance
Automotive equipment	30%	declining balance
Leasehold improvements		straight-line over term of lease plus one renewal period
Buildings	5%	declining balance

### Goodwill

Goodwill is recorded at cost and amortized over 25 years on a straight-line basis. The carrying value of the goodwill is reviewed annually by assessing the value of the undiscounted future cash flows on an entity basis. If it is determined that a decline in value is other than temporary, goodwill is written down to fair value. At December 31, 1998, the Company had recorded \$13,452,000 of goodwill and \$662,000 of accumulated amortization (\$8,454,000 and \$229,000 respectively at December 31, 1997).

## Income taxes

The Company follows the liability method of tax allocation accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

## Non-interest bearing debt

Non-interest bearing notes payable are carried at their present value using discount rates based on bank prime prevailing at the time the notes were issued.

## Change in accounting policies

The Company has elected to adopt the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. In addition, the Company has changed its revenue recognition policy. The accounting changes outlined below have been applied retroactively, and the Company's Consolidated Financial Statements for 1997 have been restated accordingly.

### (a) Income taxes

Under the new recommendations, the liability method of tax allocation is used in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the rate in effect in the year the differences originated.

### (b) Revenue recognition

Under the new policy, fee revenue is recognized as income at the time such services are provided using estimated billable amounts, adjusted to actual amounts when the account is rendered. Work in progress, representing fee revenue which has not been billed, is recorded at estimated realizable value. Prior to the adoption of this policy, revenue was recognized when a billing was issued and work in progress was valued at the lower of cost and net realizable value.

The effect of adopting the new policies is summarized as follows:

(in thousands of dollars except earnings per share amounts)

	1998 \$	1997 \$
	Increase (Decrease)	
<b>Balance Sheet</b>		
Work in progress	9,146	7,001
Capital assets	76	79
Goodwill	(1,354)	(554)
Future income tax assets	(4,253)	(3,645)
Retained earnings	3,615	2,881
<b>Statements of Income and Retained Earnings</b>		
Gross revenue	5,670	2,027
Direct expense	2,716	(52)
Net revenue	2,954	2,079
Direct payroll costs	1,412	1,040
Gross margin	1,542	1,039
Depreciation and amortization	(45)	(27)
Income before income taxes	1,587	1,066
Future tax expense	853	767
Net income for the year	734	299
Retained earnings, beginning of the year	2,881	2,582
Retained earnings, end of the year	3,615	2,881
Earnings per share – basic	0.08	0.04
Earnings per share – fully diluted	0.07	0.05



## 2. Bank Line of Credit

The Company has an operating line of credit with a Canadian chartered bank in the amount of \$20,000,000 (1997 – \$20,000,000) renewable on an annual basis. In addition, the Company has a line of credit designated for acquisitions of \$10,000,000 US [note 4].

In 1997, the Company committed to restrict the use of the net proceeds from a specific issuance of Common shares to finance future business acquisitions. At December 31, 1998, the amount not yet expended was \$2,375,000.

At December 31, 1998, the Company had issued letters of credit totaling \$5,559,000.

All assets of the Company are held as collateral under a general security agreement.

## 3. Capital Assets

Capital assets include the following:

(in thousands of dollars)	1998		1997	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
	\$	\$	\$	\$
Engineering equipment	13,134	7,360	11,244	6,909
Office equipment	8,282	5,020	6,949	4,600
Automotive equipment	2,090	903	1,779	727
Leasehold improvements	2,280	900	2,020	828
Buildings	4,983	406	4,515	218
Land	1,302		1,221	
	<b>32,071</b>	<b>14,589</b>	<b>27,728</b>	<b>13,282</b>
<b>Net book value</b>		<b>17,482</b>		<b>14,446</b>

In 1998, depreciation in the amount of \$3,312,000 (1997 – \$2,108,000) was recorded on the capital assets.

## 4. Long-Term Debt

(in thousands of dollars)	1998	1997
	\$	\$
Notes payable	1,263	1,263
Discount	1,000	1,036
Carrying value	263	227
Promissory notes payable	6,849	4,628
Mortgages payable	1,686	1,831
Acquisition facility	6,747	6,294
Finance contracts	33	247
	<b>15,578</b>	<b>13,227</b>
Less current portion	<b>3,306</b>	<b>1,054</b>
	<b>12,272</b>	<b>12,173</b>

Notes payable are non-interest bearing and have been discounted to their present value at rates prevailing at the time the notes were issued. If the non-interest bearing notes were discounted at interest rates in effect at December 31, 1998, the fair value of the notes would have been \$396,000 (1997 – \$355,000). The following summarizes the due dates of each of the non-interest bearing notes, the discount rate applied and the amount due:

Due Date (in thousands of dollars)	Discount Rate %	Amount \$
July 1, 2001	20.00	140
July 1, 2001	16.50	140
October 1, 2010	11.00	50
November 1, 2027	9.75	933
		<b>1,263</b>

The promissory notes payable bear interest at an average rate of 4.4% and are due at various times from 1999 to 2003 with certain of the notes supported by a deed of trust against land of the Company.

The mortgages bear interest at rates from 6.75% to 9.5%, are due at various times from 1999 to 2002 and are supported by first mortgages against land and buildings of the Company.

The Company has a 364 day committed revolving term credit facility ("acquisition facility") with a Canadian chartered bank in the amount of \$10,000,000 US. Interest is paid quarterly at a floating rate of prime plus 0.1% to prime

plus 0.5%. The effective rate of interest is dependent on the Company's debt covenant calculations on a quarterly basis. The acquisition facility is required to be renewed in January of each year. On January 6, 2002, the acquisition facility will be converted to a four-year non-revolving reducing term facility with equal quarterly payments.

The finance contracts bear interest at rates from 8.75% to 9.00%, are due at various times from 1999 to 2000 and the financed equipment is held as collateral for the contracts.

Principal repayments required on long-term debt in each of the next five years and thereafter are as follows:

(in thousands of dollars)	\$
1999	3,306
2000	2,024
2001	1,791
2002	1,748
2003	2,913
Thereafter	3,796
	<b>15,578</b>

In 1998, interest of \$959,000 (1997 – \$244,000) was incurred on the promissory notes, mortgages payable, finance contracts and acquisition facility.

## 5. Commitments

Commitments for annual basic rent under long-term leases for the next five years are as follows:

1999 – \$5,368,000; 2000 – \$3,609,000; 2001 – \$3,201,000; 2002 – \$2,557,000 and 2003 – \$1,087,000.

## 6. Contingencies

In the normal conduct of the operations of the Company there are pending claims by and against the Company. It is the opinion of management, based on the advice and information provided by counsel, that the final determination of these claims will not materially affect the consolidated financial position or results of operations. The Company carries professional liability insurance against claims arising from professional services provided.



The Year 2000 issue arises, in part, because computerized systems and equipment that includes embedded microchip technology may use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. Management has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 issue on the Company. As at December 31, 1998, the Company has initiated a program of assessment, remediation, and testing. An assessment of the readiness of third parties, such as customers, suppliers and others, is ongoing. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

## 7. Share Capital

### Authorized

Unlimited	Common shares
Unlimited	Preferred shares issuable in series

The Company is authorized to issue options to acquire

830,770 Common shares. At December 31, 1998, the Company has outstanding options to acquire 767,300 Common shares at exercise prices ranging from \$6.75 to \$15.00 per share with expiration dates between March 30, 2004, and February 5, 2007.

Issued and outstanding (in thousands of dollars)	1998 \$	1997 \$
7,196,797 Common shares (1997 – 7,236,097)	42,855	43,087

The following share transactions took place during 1998:

- options to acquire 1,500 Common shares were exercised for proceeds of \$11,000;
- Common shares of 40,800 were repurchased for cancellation pursuant to a normal course issuer bid at a cost of \$459,000. \$243,000 and \$7,000 reduced the share capital and contributed surplus accounts, respectively, with \$209,000 being charged against retained earnings.

The following share transactions took place during 1997:

- options to acquire 3,749 Common shares were exercised for proceeds of \$25,000;
- 1,304,348 Common shares were issued on the exercise of 1,304,348 special warrants for net proceeds of \$14,532,000, including the future tax benefit of financing costs.

## 8. Income Taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Future income tax assets result primarily from operating tax loss carry forwards and accounting expenses not deductible until future periods, and

future income tax liabilities result primarily from unbilled revenue not taxable until future periods.

The effective income tax rate in the consolidated statement of income differs from the statutory Canadian tax rates as a result of the following:

	1998 %	1997 %
Income tax expense at statutory Canadian rates	44.6	44.6
Increase (decrease) resulting from:		
Income from associated companies accounted for on the equity basis	(1.0)	(0.3)
Rate differential on foreign income	(1.6)	(0.4)
Non-deductible expenses	3.7	2.5
Other	(0.1)	(0.9)
	45.6	45.5

As at December 31, 1998, loss carryovers of approximately \$5,719,000 are available to reduce taxable income of certain Canadian and US subsidiaries. The losses expire as set out below:

(in thousands of dollars)	\$
2000	47
2001	497
2002	763
2003	1,345
2004	2,396
2005	389
2007	282
	<b>5,719</b>

Of these losses, \$282,000 relates to US subsidiaries. US income tax law imposes limitations on the availability of the loss carryovers as a consequence of a change in ownership in 1994. The losses which may be utilized for Federal purposes are limited to \$158,000 annually.

## 9. Earnings Per Share

	1998	1997
	\$	\$
Basic	0.99	0.91
Fully diluted	0.93	0.87

Earnings per share are calculated using the weighted average number of shares outstanding during the year (1998 – 7,229,977; 1997 – 6,149,629).

Fully diluted earnings per share reflect the effect of 767,300 options outstanding at December 31, 1998 (1997 – 457,334).

## 10. Business Acquisitions

During 1998, the Company acquired the shares and businesses of Parenco Limited (March 25, 1998), Lafontaine, Cowie, Buratto & Associates Limited (April 15, 1998), Walker Consulting Group Ltd. (June 10, 1998), Kaminski-Hubbard Engineering, Inc. (July 16, 1998), Goodfellow Consultants Holdings Inc. (August 14, 1998), and Loepky & Associates Surveyors Inc. (November 30, 1998), and the net assets and businesses of Barry Johns Architects Ltd. (February 12, 1998), WSAG Architects Ltd. (February 12, 1998) and Laird Polson Architecture Interior Design Facility Management (April 30, 1998). During 1997, the Company acquired the shares and businesses of DW Thompson Consultants Ltd. (May 9, 1997), SEA, Incorporated (August 28, 1997), PEL Group Inc. (October 22, 1997) and McNeely Engineering Consultants Ltd. (December 10, 1997), and the net assets and business of Geomatic Technologies Inc. (September 30, 1997).

These acquisitions have been accounted for under the purchase method of accounting and the results of earnings since the respective dates of acquisition have been included in the consolidated statements of income. Details of the

aggregate consideration given and the fair values of net assets acquired are as follows:

(in thousands of dollars)	1998 \$	1997 \$
Cash consideration	6,861	14,872
Promissory note	4,050	4,113
<b>Purchase price</b>	<b>10,911</b>	<b>18,985</b>
Net assets acquired at fair values:		
Non-cash working capital	4,304	3,652
Capital assets	2,518	6,861
Investments – other	99	532
Future income taxes	147	(1,401)
Goodwill	4,998	7,099
	<b>12,066</b>	<b>16,743</b>
Long-term debt	(1,298)	(803)
	<b>10,768</b>	<b>15,940</b>
Cash acquired	143	3,045
<b>Net assets acquired</b>	<b>10,911</b>	<b>18,985</b>



## 11. Joint Ventures

A summary of the assets, liabilities, revenues and expenses included in the Consolidated Financial Statements related to the joint ventures is as follows:

	1998	1997
(in thousands of dollars)	\$	\$
<b>Current assets</b>	<b>1,224</b>	<b>2,797</b>
Current liabilities	1,474	3,047
Deficit	(250)	(250)
	<b>1,224</b>	<b>2,797</b>
Fees billed	3,133	9,034
Direct expenses and payroll costs	2,808	9,515
Administrative	21	336
<b>Income (loss) before income taxes</b>	<b>304</b>	<b>(817)</b>
Income tax expense	242	6
<b>Net income (loss) for the year</b>	<b>62</b>	<b>(823)</b>
Retained earnings (deficit), beginning of the year	(250)	577
Profit distribution	(62)	(4)
<b>Deficit, end of the year</b>	<b>(250)</b>	<b>(250)</b>

## 12. Related Party Transactions

The Company paid rent to a limited partnership amounting to \$1,657,000 in 1998 (1997 – \$1,632,000). The Company is a 25% partner in the partnership; other partners include officers of the Company as well as outside interests.

## 13. Segmented Information

Operating segments of the Company are defined as components of the Company for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Consulting Services business unit is the Chief Executive Officer of the Company.

### Reportable Segments

	Consulting Services	Other	Total
1998 (in thousands of dollars)	\$	\$	\$
Gross revenue	183,948	1,563	185,511
Depreciation and amortization	3,301	445	3,746
Operating income	12,909	526	13,435
Segment assets	92,742	19,706	112,448
Expenditures for capital assets	4,354	225	4,579
	Consulting Services	Other	Total
1997 (in thousands of dollars)	\$	\$	\$
Gross revenue	123,835	9,730	133,565
Depreciation and amortization	1,853	362	2,215
Operating income	9,156	1,263	10,419
Segment assets	73,910	29,462	103,372
Expenditures for capital assets	1,889	273	2,162

### Geographic Segments

	Revenues	Capital Assets and Goodwill
1998 (in thousands of dollars)	\$	\$
Canada	134,676	22,294
United States	39,192	7,830
International	11,643	148
	<b>185,511</b>	<b>30,272</b>
	Revenues	Capital Assets and Goodwill
1997 (in thousands of dollars)	\$	\$
Canada	95,411	16,199
United States	24,564	6,254
International	13,590	218
	<b>133,565</b>	<b>22,671</b>

## Board of Directors

### **Ronald P. Triffo**

Edmonton, Alberta  
Chairman  
Stantec Inc.

### **Neilson A. "Dutch" Bertholf, Jr.**

Phoenix, Arizona  
Retired Aviation Director  
City of Phoenix

### **Robert J. Bradshaw**<sup>2</sup>

Toronto, Ontario  
Chairman  
Contor Industries Limited

### **E. John (Jack) Finn**<sup>1</sup>

Madison, Connecticut  
Past Chairman & Director  
Dorr-Oliver Incorporated

### **Robert E. Flynn**<sup>2</sup>

Winnetka, Illinois  
Past Chairman & CEO  
The NutraSweet Company

### **Anthony P. Franceschini**

Edmonton, Alberta  
President & CEO  
Stantec Inc.

### **William D. Grace**<sup>1,2</sup>

Edmonton, Alberta  
Corporate Director

### **Stephen D. Lister**<sup>1,2</sup>

Toronto, Ontario  
Managing Partner  
Imperial Capital Corporation

<sup>1</sup> Audit Committee

<sup>2</sup> Corporate Governance  
& Compensation Committee

## Officers

### **Ronald P. Triffo**

Chairman

### **Anthony P. Franceschini**

President & CEO

### **Donald W. Wilson**

Vice President & CFO

### **Jeffrey S. Lloyd**

Vice President, Secretary

## Shareholder Information

### **Transfer Agent**

CIBC Mellon Trust Company  
Calgary AB

### **Auditors**

Ernst & Young LLP  
Chartered Accountants  
Edmonton AB

### **Principal Bank**

Canadian Imperial Bank  
of Commerce

### **Securities Exchange Listing**

Stantec shares are traded on  
the Toronto Stock Exchange  
under the symbol **STN**.

### **Investor Relations**

Stantec Inc.  
200, 10160 - 112 Street  
Edmonton AB  
CANADA T5K 2L6  
Tel (780) 917-7000  
Fax (780) 917-7330  
ir@stantec.com

### **Annual General Meeting**

May 13, 1999  
10:00 AM  
Sheraton Grande Hotel  
10235 - 101 Street  
Edmonton AB  
CANADA





## Five-Year Summary

(in thousands of dollars, except per share amounts)\*

	1998	1997	1996	1995	1994
	\$	\$	\$	\$	\$
Gross revenue	<b>185,511</b>	133,565	119,343	94,173	89,136
Net revenue	<b>148,943</b>	98,458	82,006	71,818	62,650
Net income	<b>7,185</b>	5,619	5,111	3,418	3,906
Current assets	<b>77,068</b>	74,740	44,253	36,664	42,209
Current liabilities	<b>42,394</b>	39,908	24,868	19,257	23,948
Capital assets	<b>17,482</b>	14,446	7,645	6,370	3,889
Long term debt	<b>12,272</b>	12,173	1,881	4,763	3,416
Shareholders' equity	<b>55,783</b>	49,046	28,870	23,513	20,096
Net revenue backlog	<b>130,537</b>	96,220	56,449	52,116	50,000
<b>Share Information</b>					
Earnings per share	<b>0.99</b>	0.91	0.86	0.56	0.74
Book value per share	<b>7.75</b>	6.78	4.87	3.97	3.39
Weighted average shares outstanding	<b>7,229,977</b>	6,149,629	5,928,000	5,928,000	5,270,290
Shares outstanding	<b>7,196,797</b>	7,236,097	5,928,000	5,928,000	5,928,000
Shares traded	<b>2,180,116</b>	2,537,872	3,209,461	1,042,950	1,448,341
High	<b>14.75</b>	12.20	7.50	7.75	11.00
Low	<b>9.50</b>	6.35	4.30	4.70	6.00
Close	<b>10.25</b>	11.25	6.40	5.38	7.50

\*Comparative results have been restated to reflect changes in accounting policy as explained in Note 1 to the Consolidated Financial Statements.





## Principal Offices

### Stantec Inc.

200, 10160 – 112 Street  
Edmonton AB  
CANADA T5K 2L6  
Tel (780) 917-7000  
Fax (780) 917-7330  
corp@stantec.com  
www.stantec.com

### Canada West

**Stantec Consulting Ltd.**  
1122 – 4 Street SW  
Calgary AB T2R 1M1  
Tel (403) 716-8000  
Fax (403) 716-8049  
calgary@stantec.com

### Canada Central

**Stantec Consulting Ltd.**  
871 Victoria Street North  
Kitchener ON N2B 3S4  
Tel (519) 579-4410  
Fax (519) 579-6733  
kitchener@stantec.com

### US Southwest

**Stantec Consulting Inc.**  
7776 Pointe Parkway West  
Phoenix AZ 85044-6026 USA  
Tel (602) 438-2200  
Fax (602) 431-9562  
phoenix@stantec.com

### International

**Stantec Consulting International Ltd.**  
10160 – 112 Street  
Edmonton AB T5K 2L6  
Tel (780) 917-7000  
Fax (780) 917-7330  
international.edmonton@stantec.com

### Stantec Experts-conseils Ltée

201, 420 boul Maloney est  
Gatineau QC J8P 1E7  
Tel (819) 663-9294  
Fax (819) 663-0084  
gatineau@stantec.com

### Stantec Geomatics Ltd.

10160 – 112 Street  
Edmonton AB T5K 2L6  
Tel (780) 917-7000  
Fax (780) 917-7289  
geomatics.edmonton@stantec.com

1122 – 4 Street SW

Calgary AB T2R 1M1  
Tel (403) 716-8000  
Fax (403) 716-8059  
geomatics.calgary@stantec.com

### Stantec Architecture Ltd.

10183 – 112 Street  
Edmonton AB T5K 1M1  
Tel (780) 424-4300  
Fax (780) 424-7930  
architecture.edmonton@stantec.com

1122 – 4 Street SW  
Calgary AB T2R 1M1  
Tel (403) 716-8000  
Fax (403) 716-8019  
architecture.calgary@stantec.com

320, 1500 West Georgia Street  
Vancouver BC V6G 2Z6  
Tel (604) 685-9727  
Fax (604) 685-9741  
architecture.vancouver@stantec.com

### Stantec Global Technologies Ltd.

10160 – 112 Street  
Edmonton AB T5K 2L6  
Tel (780) 917-7000  
Fax (780) 917-7330  
sgt.edmonton@stantec.com

170, 7070 Mississauga Road  
Mississauga ON L5N 7G2  
Tel (905) 567-3030  
Fax (905) 567-3899  
sgt.mississauga@stantec.com

152 Main Street  
Cambridge ON N1R 6R1  
Tel (519) 622-3005  
Fax (519) 622-2580  
cambridge@stantec.com

### Affiliates

#### Lockerbie Stanley Inc.

10320 – 146 Street  
Edmonton AB T5N 3A2  
Tel (780) 452-1240  
Fax (780) 451-0622  
lsi@planet.eon.net

#### Linnet Geomatics International Inc.

1600, 444 St. Mary Avenue  
Winnipeg MB R3C 3T1  
Tel (204) 957-7566  
Fax (204) 957-7568  
lgi@linnet.ca

#### Teshmont Consultants Inc.

1190 Waverley Street  
Winnipeg MB R3T 0P4  
Tel (204) 284-8100  
Fax (204) 475-4601  
teshmont@teshmont.mb.ca

#### SSBV Consultants Inc.

1007, 7445 – 132 Street  
Surrey BC V3W 1J8  
Tel (604) 597-0422  
Fax (604) 591-1856  
ssbv.surrey@stantec.com





Stantec